

**HOTLINE COMPLAINT – ACQUISITIONS
WITH THE OFFICE OF
THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011**

July 30, 2008



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: July 30, 2008

Reply to
Attn of: Deputy Assistant Inspector General for Acquisition Audits (JA-A)

Subject: Hotline Complaint –Acquisitions with the Office of the Chief Acquisition Officer
Report Number A070046/O/A/F08011

To: Theodore S. Haddad
Chief Acquisition Officer (V)

The report presents the results of our review of a hotline complaint involving acquisitions with the Office of the Chief Acquisition Officer. The results of our review identified that policies and procedures were not always adhered to during key phases of the award and administration of the acquisitions in question. In addition, other contract issues were noted and include improper funding related to Intra-agency Agreements and improper use of fiscal year funds and timeliness of modifications.

If you have any questions regarding this report, please contact me on (703) 603-0189

A handwritten signature in black ink, appearing to read "Kenneth L. Crompton".

Kenneth L. Crompton
Deputy Assistant Inspector General for Acquisition Audits (JA-A)



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EXECUTIVE SUMMARY

Purpose

Our audit addressed the validity of hotline complaint allegations involving three contracts awarded and administered in the Office of the Chief Acquisition Officer (OCAO). The contracts involved the Acquisition Workforce Study (AWS), Applied Learning Center (ALC), and the Acquisition Career Management Information System (ACMIS). The hotline complainant expressed concerns that the contracts awarded lacked competition, bona fide need, and adequate justification. In addition, there were concerns that funds were mismanaged, there was a lack of contract oversight, and the contractors did not provide the deliverables contracted for. Our audit addressed whether the allegations in the hotline complaint were valid.

Background

The General Services Administration (GSA) Office of the Chief Acquisition Officer (OCAO) is responsible for supervising a variety of acquisition activities, including: ensuring compliance with applicable laws, regulations and policies, fostering full and open competition for contract awards, developing the acquisition workforce, and the workforce's accountability for acquisition decision making. In addition, the Operational Contracting Staff is also housed in the OCAO.

Between 2002 and 2005, the OCAO Operational Contracting Staff solicited contracts in support of OCAO initiatives to obtain and collect information on the GSA acquisition workforce. The initiatives included the Acquisition Career Management Information System (ACMIS), the Applied Learning Center (ALC), and the Acquisition Workforce Study (AWS).

ACMIS was developed under the oversight of the Federal Acquisition Institute (FAI) to collect education and training information on the acquisition workforce. In accordance with section 37(d) of the Office of Federal Procurement Policy Act, each executive agency must collect, maintain, and utilize information to ensure effective management of the acquisition workforce. ACMIS can assist agencies in managing their workforce and help members of the workforce manage their own education, training, and experience information. Managers can also use this information to make informed budgeting, staffing, and training decisions related to the acquisition workforce.

In September 2004, GSA launched a competency assessment tool designed for the General Schedule (GS) - 1102¹ acquisition workforce called the ALC. The ALC is an online, competency-based assessment tool that was developed to measure skill-gaps, and assist GSA in meeting the requirements of the Clinger-Cohen Act.

In 2005, the OCAO solicited the AWS to determine if GSA has the right number of 1102s in the right place, with the right tools, skills, and competencies to carry out its mission to achieve acquisition excellence.

¹ GS-1102 is the occupational series established by the U.S. Office of Personnel Management (OPM). Refer to the OPM Operating Manual, Qualification Standards for General Schedule Positions for a complete description of the GS-1102 series.

The Contracting Officer's Representative (COR) or Contracting Officer's Technical Representative (COTR) is a Government employee designated in writing by the Contracting Officer to perform specific limited activities for the Contracting Officer, such as contract administration. If the COR/COTR does not exercise due diligence in the administration of the contract, this can lead to problems in contractor performance, cost overruns, and delays in receiving goods and services.

The Office of Inspector General received a hotline complaint on August 22, 2006 from a confidential source with concerns about whether GSA could rely on the AWS, ALC, and the ACMIS to achieve its goal of building and retaining the optimal acquisition workforce. Additional concerns were expressed regarding the award and administration of the contracts.

Results in Brief

The results of our review identified that policies and procedures were not always adhered to during key phases in the award and administration of the ACMIS, ALC and AWS contracts. Of significance is the issue of contract oversight, which pertains to contract files not including all required documents and information that was not always complete, payments made to vendors without adequate documentation, and deliverables not received in accordance with the contract. In addition, decisions made in the management of these contracts adversely impacted the validity and usefulness of the end products.

Approximately \$1.6 million was spent on the full development of the ALC, which was rolled out in phases. The site was originally launched in September 2004 and, to our knowledge, remained functional until May 2006 when it was shutdown by the OCAO. The ALC has been shutdown numerous times over the course of its life due to protests and other issues and more than \$5 million has been expended in support of the ALC. As of April 30, 2008, when accessing the ALC website the following statement appears: "The site is currently under review. GSA will notify you once the ALC is back up." In addition, the ALC was not adequately evaluated to ensure the integrity of the tool. The AWS, with the cost of approximately \$474,000, was not usable for its original purposes and resulted in additional costs of approximately \$14,350. This was due to a lack of adherence to the proposal methodology. Other contract issues include improper funding related to Intra-agency Agreements and improper use of fiscal year funds on the ACMIS contract and timeliness of AWS modifications.

During the review, we had concerns about the existence of a contracting group within the OCAO. This raised the issue of independence and whether a policy organization should award contracts. Further, we had additional concerns that an organization responsible for providing acquisition policy and procedures for the General Services Administration's acquisition workforce awarded and administered contracts that in many cases ignored policies and procedures. In particular, we noted that contract oversight was lacking, contract files did not include all required documents, and information that was incomplete. Our concerns were expressed to the CAO during a meeting in June 2007. At that time we informed the CAO that we intended to recommend that the OCAO Operational Contracting Staff be relocated to a more appropriate location within GSA. On October 15, 2007, GSA Order ADM 5440.606 was issued that abolished the OCAO Operational Contracting Staff and its functions related to contracting and purchasing for the GSA Central office GM&A (General, Management and Administration) offices and transferred the functions to the Contracting Division, Office of Management Services.

Recommendations

We recommend that the Chief Acquisition Officer of the General Services Administration:

1. Strengthen management controls in regard to oversight when awarding and administering contracts to ensure that contract files are in conformance with policies and procedures and that contract personnel adhere to the Federal Acquisition Regulations and General Services Administration Acquisition Manual.
2. Ensure that appropriated funds are obligated and used in accordance with the Federal Acquisition Regulations.
3. Determine the status of Intra-agency Agreement funds discussed in section "Intra-agency Agreement Funding" of this report and take the appropriate action.
4. Reassess controls on the disbursement of Intra-agency Agreement funds and where necessary strengthen controls to ensure that funds are properly disbursed.

Management Response

The Chief Acquisition Officer concurred with the four recommendations.

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INTRODUCTION

Background

The General Services Administration (GSA) Office of the Chief Acquisition Officer (OCAO) was established in June 2004 to strengthen GSA's acquisition activities and assure that best value acquisition services are delivered to federal agency customers in support of their missions while balancing an emphasis on compliance, ethics, and integrity.

The OCAO is responsible for supervising a variety of acquisition activities, including: ensuring compliance with applicable laws, regulations and policies, fostering full and open competition for contract awards, developing the acquisition workforce and the workforce's accountability for acquisition decision making. In addition, an operational contracting staff is also housed in the OCAO.

Between 2002 and 2005, the operational contracting staff awarded three contracts in support of OCAO initiatives to obtain and collect information on the GSA acquisition workforce. The initiatives included the Acquisition Career Management Information System (ACMIS), the Applied Learning Center (ALC), and the Acquisition Workforce Study (AWS).

Acquisition Career Management Information System (ACMIS)

The Federal Acquisition Institute (FAI), located within GSA, is responsible for a range of career management and research activities related to the federal acquisition workforce. ACMIS was developed under the oversight of FAI. The system collects information on acquisition workforce education and training. Managers can use this information to make informed budgeting, staffing, and training decisions as it relates to the acquisition workforce. As of January 2007, the total amount invoiced for ACMIS under the above contract was approximately \$765,871. Previous costs to develop ACMIS were not looked at as part of this review. See Appendix A for further information on this contract.

Applied Learning Center (ALC)

In September 2004, the OCAO launched a competency assessment tool designed for the GS-1102² acquisition workforce called the ALC. The tool was designed to supplement traditional training by allowing GSA's acquisition associates to demonstrate applied learning by both simulated and objective means. The ALC, including additional contracts, cost the Government \$5.2 million as of June 2007. See Appendix B for further information regarding this tool.

² GS-1102 is the occupational series established by the U.S. Office of Personnel Management (OPM). Refer to the OPM Operating Manual, Qualification Standards for General Schedule Positions for a complete description of the GS-1102 series.

Acquisition Workforce Study (AWS)

In 2005, the OCAO solicited the AWS to determine if GSA has the right number of 1102s in the right place, with the right tools, skills, and competencies to carry out its mission to achieve acquisition excellence. The final report for the study was to be delivered on October 1, 2005, and was intended to help determine the most effective number of 1102s with the correct skill sets to meet GSA's needs. The total cost of the AWS, including the follow-on contract, was approximately \$500,000. See Appendix C for further information regarding this contract.

The Contracting Officer's Representative (COR) or Contracting Officer's Technical Representative (COTR) is a Government employee designated in writing by the Contracting Officer to perform specific limited activities for the Contracting Officer, such as contract administration. If the COR/COTR does not exercise due diligence in the administration of the contract, this can lead to problems in contractor performance, cost overruns, and delays in receiving goods and services.

On August 22, 2006, the Office of Inspector General received a hotline complaint from a confidential source with concerns about whether GSA could rely on the AWS, ALC, and ACMIS to achieve its goal of building and retaining an optimal acquisition workforce. Additional concerns were expressed regarding the award and administration of the contracts. The complaint states:

"Concerns have been expressed about the quality, accuracy, [and] breadth of the studies and the management of funds for these projects. Consequently, requestor is questioning the contract award and the level of contract oversight."

Objective, Scope, and Methodology

The objective of our review was to determine the validity of hotline complaint allegations. To make this determination, we addressed the following question:

- Were the award and administration of the AWS, ACMIS, and ALC in accordance with acquisition regulations, policies, and procedures?

To accomplish the audit objective, we reviewed applicable Federal Acquisition Regulations (FAR), the GSA Acquisition Manual (GSAM) and GSA Orders; obtained and reviewed contract files for the ALC, AWS, and ACMIS contracts for compliance with applicable policies and procedures; obtained and reviewed status reports and invoices; reviewed contractor deliverables and compared those deliverables to the scope and methodology outlined in the contracts; and interviewed the Contracting Officer and/or Contracting Officer Technical Representatives for the contracts.

The audit was performed between October 2006 and July 2007. During the period August and September 2007, a discussion draft report was prepared and provided to management on September 27, 2007. Management was unable to meet to discuss that report until December 3, 2007 and then provided comments on January 3, 2008. During the period January 2008 through May 2008, we performed additional audit work based on comments and issues raised by the OCAO. This audit was conducted in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

The results of our review identified that policies and procedures were not always adhered to during key phases in the award and administration of the Acquisition Career Management Information System (ACMIS), the Applied Learning Center (ALC), and the Acquisition Workforce Study (AWS). Of significance is the issue of contract oversight; this pertains to contract files not including all required documents and information that was not always complete, payments made to vendors without adequate documentation, and deliverables not received in accordance with the contract. In addition, decisions made in the management of these contracts adversely impacted the validity of the ALC and usefulness of the AWS.

Approximately \$1.6 million was spent on the full development of the ALC, which was rolled out in phases. The site was originally launched in September 2004 and, to our knowledge, remained functional until May 2006 when it was shutdown by the OCAO. The ALC has been shutdown numerous times over the course of its life due to protests and other issues and more than \$5 million has been expended in support of the ALC. As of April 30, 2008, when accessing the ALC website the following statement appears: "The site is currently under review. GSA will notify you once the ALC is back up." In addition, the ALC was not adequately evaluated to ensure the integrity of the tool. The AWS, which cost \$474,000, was not usable for its original purposes and resulted in additional costs of approximately \$14,350. This was due to a lack of adherence to the proposal methodology. Other contract issues include improper funding related to Intra-agency Agreements, improper use of fiscal year funds on the ACMIS contract, and timeliness of AWS modifications.

Inadequate Contract File Documentation

Contract files for the ALC and AWS did not include all required documents and information was not always complete in the documents that were on file for the ACMIS, ALC, and AWS contracts. We determined that this was attributable in part to unclear delineation of responsibilities, and changes in contracting personnel. Federal Acquisition Regulations, the GSA Acquisition Manual, and GSA internal guidance require certain information be in the contract file to facilitate planning, pricing and proposal evaluation, and the tracking of funds.

Planning

Acquisition planning ensures that agencies consider procurement alternatives before acquiring goods and/or services. Through acquisition planning specific requirements should be identified and outlined through a preliminary statement of need. Additionally, acquisition planning should establish realistic delivery and performance schedules, develop a cost basis, and identify management responsibilities for overseeing contract performance. Therefore, acquisition planning is critical to successful program management. FAR 7.1 and GSA Order OGP 2800.1 Acquisition Planning³ require that every contract have a written limited acquisition plan before a solicitation is issued and specifies that the plan address all the technical, business, management, and other significant considerations that will control the acquisition.

Neither the ALC Management Support nor AWS contracts had a completed Acquisition Plan in the contract file. Specifically, the ALC Management Support contract file did not contain an

³ GSA Order OGP 2800.1 – Acquisition Planning: Paragraph 8(2) *Limited acquisition plan*. If the acquisition is in excess of the Simplified Acquisition Threshold including options, and does not meet any of the criteria for a comprehensive acquisition plan, a written limited acquisition plan is required.

acquisition plan. The absence of a final acquisition plan indicates that sufficient acquisition planning may not have occurred and therefore, there is inadequate assurance that the Government's needs could be met in the most effective, economical, and timely manner.

The Acquisition Plan in the AWS contract file was in draft format and did not include most of the required elements. Elements specifically missing from the AWS draft were:

- Milestones for the acquisition cycle
- Identification of participants in acquisition plan preparation
- Budgeting and funding
- Capability or performance
- Delivery or performance-period requirements
- Acquisition considerations

The lack of adherence to an adequate Acquisition Plan may have contributed to receiving an unusable AWS.

Price Analysis

Price analysis is the process of examining and evaluating a proposed price to ensure the Government is receiving a fair and reasonable price. FAR 13.106-3 requires that before making an award, the Contracting Officer must determine that the proposed price is fair and reasonable. However, there was not evidence of price evaluation in the AWS contract file, which was awarded sole source to an 8(a) Contractor. While the FAR provides for sole source procurements under the authority of the 8(a) program⁴, in this case, price reasonableness could not be established through competition; therefore, other pricing evaluation techniques are necessary. Those techniques may include market research, comparison of the proposed price with prices found reasonable on previous purchases, a comparison with similar items in a related industry, the Contracting Officer's personal knowledge of the item being purchased, or a comparison to an independent government estimate. Lack of a documented price analysis indicates that a fair and reasonable price may not have been acquired for the AWS.

Proposal Evaluation

Proposal evaluation is an assessment of the proposal and the offeror's ability to perform the prospective contract successfully. While reviewing the proposal for the ALC Management Support contract, we detected that the proposal did not include information on the contractor's past performance, as required by the Request for Quote (RFQ). The RFQ states that the proposal would be evaluated by the factors of key personnel, technical approach, the Program Management Support Plan, and past performance. The proposal could not be evaluated in accordance with the RFQ if a key evaluation factor is missing.

Additionally, the RFQ states that if the technical proposal meets the needs of the Government and the price is fair and reasonable, an award is anticipated to the sole source contractor. However, a proposal evaluation was not found in the contract file. Although the contract was awarded sole-source, this evaluation is necessary to confirm that the contractor is able to meet the needs of the government as outlined in the Statement of Work (SOW) and that the contractor can meet all technical requirements.

⁴ FAR 19.805-1 allows sole source procurements to small, disadvantaged (8(a)) businesses for procurements not exceeding \$5.5 million.

Tracking of Funds

In order for funding appropriation data to be properly tracked, Standard Form 30, Amendment to Solicitation/Modification to Contract should be completed and be as specific as possible, including Section 12, Accounting, and Appropriation Data. Without accounting data it is impossible to track the funding of the project. The documentation on the modifications for the ACMIS and ALC contracts was inadequate. For the ACMIS contract, on eight of twenty-one funding modifications⁵, which added \$1,943,534 to the contract, funding information was not included on the modification. Therefore, we were unable to ensure proper allocation of funds for this contract.

The review also identified inadequate documentation of funds with the ALC Management Support contract. Modification 2, which funds the first option period in the amount of \$487,771, did not include fund information. Since we were unable to determine what funds were used for Modification 2, we were unable to ensure proper allocation of funds for the modification.

Additionally, the Contracting Officer exercised Option Year 3 of the ALC Management Support contract subject to the availability of funds⁶. Modification 6 provided funds during option year 3 in the amount of \$70,700; however, invoices paid by GSA totaled \$456,563.32 for option year 3. There was no documentation in the file that indicated that additional funds were available to pay the invoices submitted. The Contracting Officer also exercised Option Year 4 subject to the availability of funds. However, no funding documentation was included in the file and GSA has paid invoices in the amount of \$28,039. According to FAR 43.3, administrative changes in accounting and appropriation data, or the addition of funds to a contract should be documented with a modification. We were unable to determine if funds were available for and had been allocated to these option years.

Improper Acceptance of Invoices

The contractor did not always submit invoices and/or status reports to the COR/COTR in accordance with the contract requirements for the AWS, ALC, and ACMIS contracts. The COR/COTR approved invoices from the contractors that were not detailed and were not accompanied by proper documentation. We determined that this was attributable to poor COTR oversight. The COR/COTR Responsibility Letter and the contract terms and conditions specify the responsibilities of the COR/COTR as it pertains to the proper acceptance of invoices and details invoice documentation requirements. The COR/COTR is responsible for ensuring that the contractor is in compliance with all technical aspects of the contract and submits required reports in a timely manner, as specified by the contract.

Acquisition Workforce Study

The AWS contractor submitted invoices totaling over \$474,000 that were not in compliance with contract requirements. Specifically, the invoice did not include a description, quantity, unit of measure, or unit price of the services, as required by the terms and conditions of the contract. According to the proposal, the contractor would submit status reports to the COTR each week outlining the progress of the study and identifying issues and concerns. The contractor did not

⁵ Funding modifications are defined as either modifications that add funds to the contract or changed funding documents.

⁶The Availability of Funds clause states that funds are not presently available for the contract.

submit the required status reports for 19 weeks⁷ of the 43-week period of performance. The contractor submitted invoices for payment on 8/5/2005 for \$124,879.36, 9/7/2005 for \$174,879.36, 1/6/2006 for \$87,439.68, 3/24/2006 for \$67,429.68 and 4/25/2006 for \$20,010 without status reports. Invoices were approved despite status reports being unavailable for either all or part of the period invoiced. The COTR Responsibility Letter (dated June 16, 2005) states that the COTR should not certify payment on an invoice until they are able to verify contractor performance reflected in the invoice by receipt of applicable deliverables, examination of the contractor's periodic progress reports, reconciliation of hours invoiced with contractor's time cards and/or personal knowledge of contractor's activities in support of the contract. Therefore, the COTR improperly accepted invoices given that status reports were not submitted to detail the services performed.

ALC Full Development

For the Full Development portion of the work, the ALC contractor submitted invoices in the amount of \$1,698,250. The contractor's descriptions of services provided for these amounts were vague and the contractor's status reports did not clearly specify work items completed compared to the deliverables stated in the contract. In addition, we were unable to verify the completion of approximately 32% of the tasks due to lack of specificity in contractor status reports and we found no work products in the files provided. According to the COR Letter, COR responsibilities include monitoring progress of technical performance under the contract as well as cost and schedule performance and taking timely action to ensure that performance is completed. The COR accepted and approved invoices of \$1.6 million without the required documentation outlined by the terms and conditions of the contract. Documentation in the contract file is needed for third parties to independently assess what took place during the contract period.

ALC Follow-on

For the ALC Follow-on contract, the COTR did not have status reports for August 2006, September 2006, December 2006, February 2007, and April 2007. However, GSA made payments totaling approximately \$211,000 to the contractor during those months. The COTR Letter (dated August 21, 2006) states that the COTR should not certify payment on an invoice until they are able to verify contractor performance reflected in the invoice by receipt of applicable deliverables, examination of the contractor's periodic progress reports, reconciliation of hours invoiced with contractor's time cards and/or personal knowledge of the contractor's activities in support of the contract. The COTR did not fulfill their responsibilities to administer the contract in accordance with the COTR Letter, as there was no evidence of status reports being reviewed or any other review of work done by the contractor. Therefore, there is no assurance that the government received what they paid for.

ALC Management Support

The Contracting Officer funded the base year of the contract in the amount of \$248,865, but invoices were paid under the contract in the amount of \$275,655. This was due to an invoice from a non-ALC related contract in the amount of \$26,790 being paid under the ALC

⁷ Status reports were not received for the dates 6/28/05, 7/5/05, 7/12/05, 7/19/05, 9/7/05, 9/14/05, 9/21/05, 10/12/05, 10/19/05, 10/26/05, 12/21/05, 1/19/06, 2/2/06, 3/2/06, 3/9/06, 3/16/06, 3/23/06, 3/30/06 and 4/6/06.

Management Support contract. This indicates that the proper acceptance of invoices was not performed, which resulted in a payment that exceeded the funding limit.

Acquisition Career Management Information System

During our analysis of the Statement of Objectives for the ACMIS contract we found that the COTR was to determine the due dates for CLINs. After review of the contract file, we were unable to find documentation that the COTR established any milestone dates, therefore, not fulfilling their responsibilities to administer the contract. Additionally, status reports were not available for 12 of the months of the period of performance⁸. The COTR would be unable to certify the Contractor's invoices properly without milestone dates and status reports.

Furthermore, the contract was fixed price award-fee, which means that in addition to the fixed price, the Contractor may earn an award-fee for performance determined to be above satisfactory. The Contractor was paid an award-fee for the period of performance April 2003 through July 2004 of \$15,026. If the COTR did not establish delivery dates, they would not be able to justify approving an award fee, as meeting milestone dates is a key element of evaluating performance.

Contract Deliverables – AWS

The contractor did not provide the AWS final deliverable in accordance with the contract. Additionally, GSA did not receive other contract deliverables. The contractor did not meet these requirements due to government delays, lack of participation, and an unreasonable timeframe set by GSA for the study. The scope and methodology included in the Statement of Work, the contractor's proposal, and the Quality Assurance Plan for the contract outlined specific approaches for completing the study, as well as quality checkpoints to be met throughout the period of performance.

Process Mapping and Verification

The contractor used fewer participants in process mapping workshops than stated in the proposal. Process mapping sessions were included as part of the methodology to define the scope of 1102 work. In these sessions participants were to identify subcategories of work within each work category⁹, divide each subcategory into key phases of work, divide each phase into tasks, divide each task into major steps, and designate the steps that are performed by employees other than 1102s. The proposal states that the contractor would conduct a process mapping workshop for each category of work with a sample of 1102 employees and their managers from five offices in the Washington, D.C. area. These offices would include one individual from FSS, FTS, PBS, OCAO, and NCR. Each workshop would involve six to eight 1102 employees and two or three managers. However, the contractor used fewer participants in process mapping than stated in the proposal to achieve their results. The deviation from the proposal is evidence that the contractor did not complete the study in accordance with the

⁸ The period of performance for the contract started in April 2003. Status reports were not found for September 2003, June 2004, July 2004, February 2005, September 2004, October 2004, December 2004, January 2005, February 2005, March 2005, April 2005, and February 2006.

⁹ Categories include: Open Market Acquisitions At or Under the Simplified Acquisition Threshold, Open Market Acquisitions Exceeding the Simplified Acquisition Threshold, Multiple Award Schedule (MAS) Contracts, Government Wide Acquisition Contracts (GWAC), Construction Contracts, Task/Delivery Order Against MAS Contracts, Task/Delivery Order Against GWAC Contracts, and Contract Administration

agreed upon methodology. Additionally, using fewer participants does not allow all pertinent information to be brought forward.

We found another issue with the verification of processes. After the process mapping participants identified the typical processes for each category, the processes were to be sent by the contractor to a sample of employees and managers in each region. The employees and managers were to verify if they used the same processes or if the processes differed. However, after a comparison of the list of process mapping participants and the list of verification participants, we determined that 54 of 63 process mapping participants also participated in verification. Participants used for process mapping should be different from those used in verification to ensure that the study achieves valid results.

Survey Employees

The contractor was to complete a survey of employees to identify the time it takes 1102 employees and managers to complete various work categories; to determine whether tools, knowledge, and assistance were available for the work categories; to identify obstacles that prevent 1102s from optimal performance; and to identify incentives to enhance performance. To determine these objectives, the proposal methodology stated that the contractor would survey a random sample of 1102 employees in each region, within each grade level with a performance rating of 3 or above. However, after review of the methodology actually used by the contractor, we found that the contractor sent the survey to all 1102s, regardless of grade level or performance rating. The sample was, therefore, not random or stratified based on grade level, and may have included employees with ratings below 3. Accordingly, the contractor's methodology was not in accordance with the contract.

Collection of Benchmarking Data

As part of the study, the contractor was to collect benchmarking data from other acquisition entities and use the data to determine time measurements in completing 1102 work by contract type. In the original proposal, the contractor stated that approximately 15 acquisition organizations¹⁰ were to be reviewed for benchmarking data, but subsequently revised that number to "one or more" acquisition organizations in the final proposal. The contractor collected benchmarking data from only one government agency because other agencies either did not collect such data or did not feel comfortable sharing such data. In addition, the one set of data the contractor obtained was not usable as it was in a format that did not allow for extrapolation of benchmark information. Although meaningful information could not be extrapolated from the given data, the CO did not reduce the scope and price of the AWS to reflect the change. Additionally, the original change to the proposal as it relates to benchmarking should not have been permitted, as one acquisition organization's data would not be enough to adequately benchmark data.

By September 2005 (less than one month prior to completion of the work per the contract) GSA had paid the contractor approximately \$299,750 of the total \$474,000 (63%). However, the contractor did not complete the project until April 2006. GSA made four of the five payments before the contractor met any deliverables and the last invoice of \$20,010 was paid after the only quality checkpoint (the final report) was delivered. Per the contractor's contract proposal, the study was to last 15 weeks, with a specific milestone timeline and methodology, and three

¹⁰ These organizations were to be similar in size and complexity to GSA's. The proposal did not specify if the focus would be on other federal agencies, non-profit organizations, etc.

key quality checkpoints were included in the contractor's Quality Assurance Plan. However, the contractor did not complete the study on time, deviated from proposed methodology, met only one quality checkpoint, and the study conclusion was inaccurate because it was based on flawed data.

Further, the Government paid the contractor approximately \$15,000 more for a study that determined that the original conclusion regarding the optimum number of 1102s was inconclusive. Consequently, the Government paid nearly \$500,000 that did not result in a useful deliverable. We believe that the lack of COTR due diligence led to receiving a final report that was not usable for its original purpose.

ALC Validity and Usefulness

Approximately \$1.6 million was spent on the full development of the ALC, which was rolled out in phases. The site was originally launched in September 2004 with the practice assessment being available to users. The full assessment was later launched in November 2005 and, to our knowledge, both assessments remained functional until May 2006 when the ALC was shutdown by the OCAO. The ALC has been shutdown numerous times over the course of its life due to protests and other issues and more than \$5 million has been expended in support of the ALC. In our opinion, the ALC has not been effectively developed and validated.

One issue that led us to question the validity of the ALC was the ALC Board of Director's decision not to pursue an independent verification and validation of the ALC tool prior to its full development. GSA awarded a contract to conduct a pilot project of the ALC. The pilot contractor delivered an on-time pilot project report in April 2003, which recommended that the government proceed with full development of the ALC. GSA then contracted with an independent source to complete an evaluation of the final report of the Applied Learning Center. The independent evaluation report criticized several areas of the pilot project report and found several weaknesses in the report's recommendations. The recommendations from the independent evaluation report were that any future attempt to evaluate the ALC should:

- "Be conducted by a professional evaluation research team with no connections to the program vendor
- Contain a rigorous assessment and independent verification of the competency areas to ensure they accurately reflect the skills required of GSA professionals
- Employ and document a sampling procedure that ensures that a representative random sample of relevant GSA professionals participate in the evaluation, and
- Utilize an appropriate statistical methodology so as to allow valid conclusions to be drawn."

The contractor responded to the independent evaluation report and defended the pilot it had developed. Additionally, according to the acquisition plan for the Full Development of the ALC, the pilot contractor also recommended the government proceed with the full development of the ALC. The plan also states that the independent evaluation report was distributed and discussed by ALC Board of Directors. However, the ALC Board of Directors decided to move forward with the program without a true independent verification, despite the recommendations of the independent evaluation report. The contract involved the full development of the ALC, implementation of the program, and maintenance of the system. The Statement of Work for the Full Development of the ALC (dated January 26, 2004) stated, "This concept [the ALC] was piloted in the 2002-2003 timeframe and was deemed a worthy concept meriting full

development.” We are concerned that GSA moved the ALC into full development despite the concerns of the independent evaluator and believe that this decision led to future ALC problems. Additionally, we do not believe that GSA’s consideration of the contractor’s response to the independent evaluation report reflected that the contractor had a direct conflict of interest as the likely contractor to receive the award for the full development work.

Another issue that led us to question the validity of the ALC was the changing of ALC questions and answers for an individual user by the COR. During our review of the status reports and in talking with contracting officials, we were informed of a situation in which the COR gave an ALC user credit for questions that the ALC user originally answered incorrectly. This action directly impacts the integrity of the ALC tool, which is designed as an objective measure of competency, knowledge, skills, and abilities. Given that the long-term programmatic goal of the ALC is to identify skill gaps and to support acquisition professionals in demonstrating their abilities to perform their jobs in accordance with the competency and qualification benchmarks set forth by the Office of Personnel Management (OPM), it is essential that validity and integrity of the tool be upheld.

As a result of questions being challenged by the ALC user, an independent analysis was obtained by the OCAO from another objective third-party. The analysis report states that after a detailed review of GSA ALC documents it was demonstrated conclusively that the current examinations offered by GSA’s ALC would not be able to demonstrate validity and reliability. Furthermore, the analysis recommends that the questions be reviewed to ensure that they are correctly written and includes a level of effort proposal. According to the May 30, 2006 status report, the ALC was shut down by the OCAO. After the OCAO shutdown the ALC, another contract was awarded to the above mentioned objective third-party, who concluded that the questions from the original ALC were very poorly crafted and most were not in conformance with good psychometric practices for a multiple choice assessment. Furthermore, that third-party was responsible for modifying the original questions. We are concerned about a potential conflict of interest given that the third-party both identified the problem and performed the work.

GSA has awarded other contracts in an effort to validate the ALC. These efforts involved a team of Subject Matter Experts from GSA, FAI, the Defense Acquisition University, and industry. It required the review and modification of over 1,200 questions from the existing ALC database, and the development of new questions to cover existing questions deemed unusable (as discussed above). The amount of resources and money allocated to the ALC could have been better allocated had the ALC been independently validated and verified prior to its full development as recommended by the independent evaluation report.

Other Contract Issues

In addition to the issues we have already outlined, we found other contract issues during the review of the ACMIS, ALC, and AWS contracts. The management of ACMIS is included in one CLIN under a master contract, which also included several other CLINs not related to ACMIS. As part of the analysis of ACMIS funding, we had to analyze all of the CLINs funding under this master contract. Although no issues were found with ACMIS funds, there were instances of the improper use of FY funds and the improper administration of the master contract. Additionally, Intra-agency Agreements provided to the audit team as part of the review were also found to have funding issues. Issues with the timeliness of modifications for the AWS are also noted.

Improper Administration

The OCAO paid invoices in the amount of \$126,867.16 for a CLIN that was originally funded from Office of Governmentwide Policy (OGP) funds in the amount of \$105,822.86. Therefore, the OCAO paid \$21,044.30 above the funded amount and there was no evidence that the Contracting Officer obligated additional funds to that CLIN. Furthermore, the modification adding the \$105,822.86 in funds was signed four months after the performance of the work invoiced. We attribute this to a lack of proper administration of the contract.

Improper Use of FY Funds

An occurrence of an improper use of fiscal year funds occurred when remaining FY 2004 151 funds that were originally obligated in Year 2 of the master contract were obligated to Year 3 through a modification by the Contracting Officer. Remaining funds were funds that were billed and paid but not fully utilized by the contractor. The modification was to combine the remaining funds from Year 2 CLINs, which were no longer required, to fund Year 3 CLINs. The performance period for Year 2 was 4/17/04 to 4/16/05, while the performance period for the Year 3 CLINs was 3/23/2006 to 6/30/2006 and 3/23/2006 to 10/31/2006. Therefore, FY 2004 funds from Fund 151 were obligated to CLINs that had a performance period in FY 2006 and FY 2007. According to U.S.C 31 SUBTITLE II, appropriations shall be applied only to the objects for which the appropriations were made. Additionally, annual appropriations should not cross fiscal years as specified by the FAR.

Intra-agency Agreement Funding

Four intra-agency agreements pertaining to FAI's operations, spanning from FY 2002 through FY 2004, were given to us for review. In those four agreements approximately \$564,000 in improper use of appropriations and \$425,120 of unused and unreturned appropriations was found.

In three instances of improper use of appropriations, funds were dispersed after expiration of the intra-agency agreement and used in the wrong fiscal year. Amounts of \$150,000 and \$240,000 were entirely dispersed after the effective date of the agreements ended. The \$150,000 was to remain in effect through the end of FY 2002, however, the two disbursements totaling that amount occurred in November 2003, and December 2003. The intra-agency agreement of \$240,000 was to be in effect through the end of FY 2003, but two disbursements totaling that amount occurred in April and May of 2005. In addition, approximately \$174,000 of \$349,102 was paid in March 2006 from intra-agency agreement funds that expired at the end of FY 2005. According to FAR 37.106, when services contracts are funded by annual appropriations, they shall not extend beyond the end of the fiscal year of the appropriation. In addition, FAR 32.703-3 states that a contract that is funded by annual appropriations may not cross fiscal years. There was a lack of oversight in disbursement and given that the funds were not used during the appropriated fiscal year, we believe that there was no bona fide need for these services.

We found two instances of intra-agency funds that were not used and have not been returned in a timely manner. An intra-agency agreement totaling \$349,102 expired at the end of FY 2005, and approximately \$174,800 of unused funds were outstanding and had not been returned as of June 21, 2007. After further analysis in May 2008, we could not determine the obligation status of these funds. Another intra-agency agreement totaling \$250,320 also expired at the end of FY 2005, however, as of June 21, 2007, the funds have not been returned. After further analysis in

May 2008, we found that this Intra-agency Agreement was canceled in January 2008. We could not determine the obligation status of these funds. Thus, intra-agency agreements funds of approximately \$425,120 have not been used by their expiration dates and we were not able to determine their obligation status. No reason was given as to why these appropriations were not used and/or not returned after expiration. Management should follow-up on the status of these funds and take appropriate action as necessary based on their review.

Modifications

Contract extensions for the AWS contract were not processed timely. There were a total of four contract modifications for the Acquisition Workforce Study contract. The Contracting Officer signed two of the four modifications after the contract expired. The Contracting Officer signed Modification 01 on September 30, 2005 for a no cost extension through November 30, 2005. The COTR, however, did not request another no-cost extension of the contract until eight days after Modification 01 had expired. An approval for Modification 02, a no - cost bilateral extension of the Period of Performance for the contract, was given by GSA counsel, who noted that this was not to happen again. Furthermore, the CO requested a justification for this no-cost extension from the COTR, and although the audit team was able to find a justification document in the contract file, it was not dated. This is evidence that proper oversight did not occur on this contract.

Before Modification 02 expired, the Contracting Officer signed Modification 03 to extend the period of performance through March 31, 2006. Modification 04, however, was signed on April 3, 2006 (after Modification 03 had expired). The same day that Modification 03 was to expire (on March 31, 2006), the COTR sent an email to the Contracting Officer as a reminder to do a no-cost extension of the contract. The Contracting Officer emailed back, stating that a verbal no-cost modification was given to the contractor and that the modification form was in the process of being completed for this extension. GSAM Subpart 504.101 states that the Contracting Officer "must sign contract and contract modifications manually". In their absence, another Contracting Officer may sign in behalf of the absent CO. Modification 04 was signed manually on April 3, 2006, for the project's extension through April 14, 2006. Ignoring acquisition criterion does not allow for effective oversight of projects – and on a greater scale, the best use of government funds. An amount of \$474,000 in government resources was exhausted on the Acquisition Workforce Study, which demanded four project extensions, and yielded no usable product for its original purposes.

CONCLUSION

During the review, we had concerns about the existence of a contracting group within the OCAO. This raised the issue of independence and whether a policy organization should award contracts. Further, we had additional concerns that an organization responsible for providing acquisition policy and procedures for the General Services Administration's acquisition workforce awarded and administered contracts that in many cases ignored policies and procedures. In particular, we noted that contract oversight was lacking, contract files did not include all required documents, and information that was incomplete. Additionally, we found that GSA made payments to vendors without adequate documentation, and GSA did not receive deliverables in accordance with the contract. Other contract issues were found related to Intra-agency Agreements and the improper use of fiscal year funds, and the lack of timeliness of modifications. Lastly, we are concerned that the government did not receive the best return on its investment for the products and services obtained.

Our concerns were expressed to the CAO during a meeting in June 2007. At that time we informed the CAO that we intended to recommend that the OCAO Operational Contracting Staff be relocated to a more appropriate location within GSA. On October 15, 2007, GSA Order ADM 5440.606 was issued that abolished the OCAO Operational Contracting Staff and its functions related to contracting and purchasing for the GSA Central office GM&A (General, Management and Administration) offices and transferred the functions to the Contracting Division, Office of Management Services.

RECOMMENDATIONS

We recommend that the Chief Acquisition Officer of the General Services Administration:

1. Strengthen management controls in regard to oversight when awarding and administering contracts to ensure that contract files are in conformance with policies and procedures and that contract personnel adhere to the Federal Acquisition Regulations and General Services Administration Acquisition Manual.
2. Ensure that appropriated funds are obligated and used in accordance with the FAR.
3. Determine the status of Intra-agency Agreement funds discussed in section "Intra-agency Agreement Funding" of this report and take the appropriate action.
4. Reassess controls on the disbursement of Intra-agency Agreement funds and where necessary strengthen controls to ensure that funds are properly disbursed.

MANAGEMENT COMMENTS

The Chief Acquisition Officer concurred with the four recommendations. See Appendix E for management's response to the draft report.

INTERNAL CONTROLS

This review was limited in scope to the issues raised in the hotline complaint. Thus, an evaluation of internal controls was limited to the items mentioned in the Results of Audit section.

APPENDICES

HOTLINE COMPLAINT – ACQUISITIONS WITH
THE OFFICE OF THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011

Overview of the Acquisition Career Management Information System (ACMIS)

In 1976, FAI was established by Congress to promote the development of an acquisition workforce across the federal Government. The General Services Administration (GSA) acts as the executive agent by providing funding and support to FAI, which is located in GSA's Office of Governmentwide Policy.

The Office of Federal Procurement Policy (OFPP) provides policy direction and guidance. Section 37(d) of the Office of Federal Procurement Policy Act states that each executive agency must collect, maintain, and utilize information to ensure effective management of the acquisition workforce. Development began in 2002 for the Acquisition Career Management Information System (ACMIS). ACMIS is a web-based system designed to collect personnel, training, and education information about employees who acquire and manage goods and services. In 2003, a new contract was awarded to obtain contractor services to perform Federal Acquisition Institute (FAI) activities, which included managing ACMIS. The contract was awarded to a contractor that had not developed ACMIS.

The contract included several Contract Line Item Numbers (CLINs) and we tracked funding for all CLINs under the entire contract in order to analyze the funding for ACMIS. While we did not find an issue with funding for the ACMIS CLIN, there were instances of the improper use of FY funds and the improper administration of the master contract (see pages 10 and 11 or further detail).

As of January 2007, the total amount invoiced for ACMIS under the above contract was approximately \$765,871. Previous costs to develop ACMIS were not looked at as part of this review.

HOTLINE COMPLAINT – ACQUISITIONS WITH
THE OFFICE OF THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011

Overview of the Applied Learning Center (ALC)

The Applied Learning Center (ALC) tool was designed to supplement traditional training by allowing GSA's acquisition associates to demonstrate applied learning by both simulated and objective means. In 2002, GSA solicited a contract to conduct a pilot project of the ALC. The pilot contractor delivered an on-time pilot project report in April 2003, which recommended that the government proceed with the full development of the ALC. A contract was then awarded for the full-development of the ALC and was succeeded by a follow-on contract. Another contract for management support was also awarded to another contractor to support the full development and follow-on contracts.

In 2006, the ALC had issues regarding the validity and integrity of the ALC and was subsequently shutdown. After the ALC was shutdown in May 2006, several contracts were awarded to analyze and validate the ALC. As part of our review we solely focused on analyzing the Full Development, the Follow-on, and the Management Support contracts. The ALC, including additional contracts, have cost the Government \$5.2 million as of June 2007.

HOTLINE COMPLAINT – ACQUISITIONS WITH
THE OFFICE OF THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011

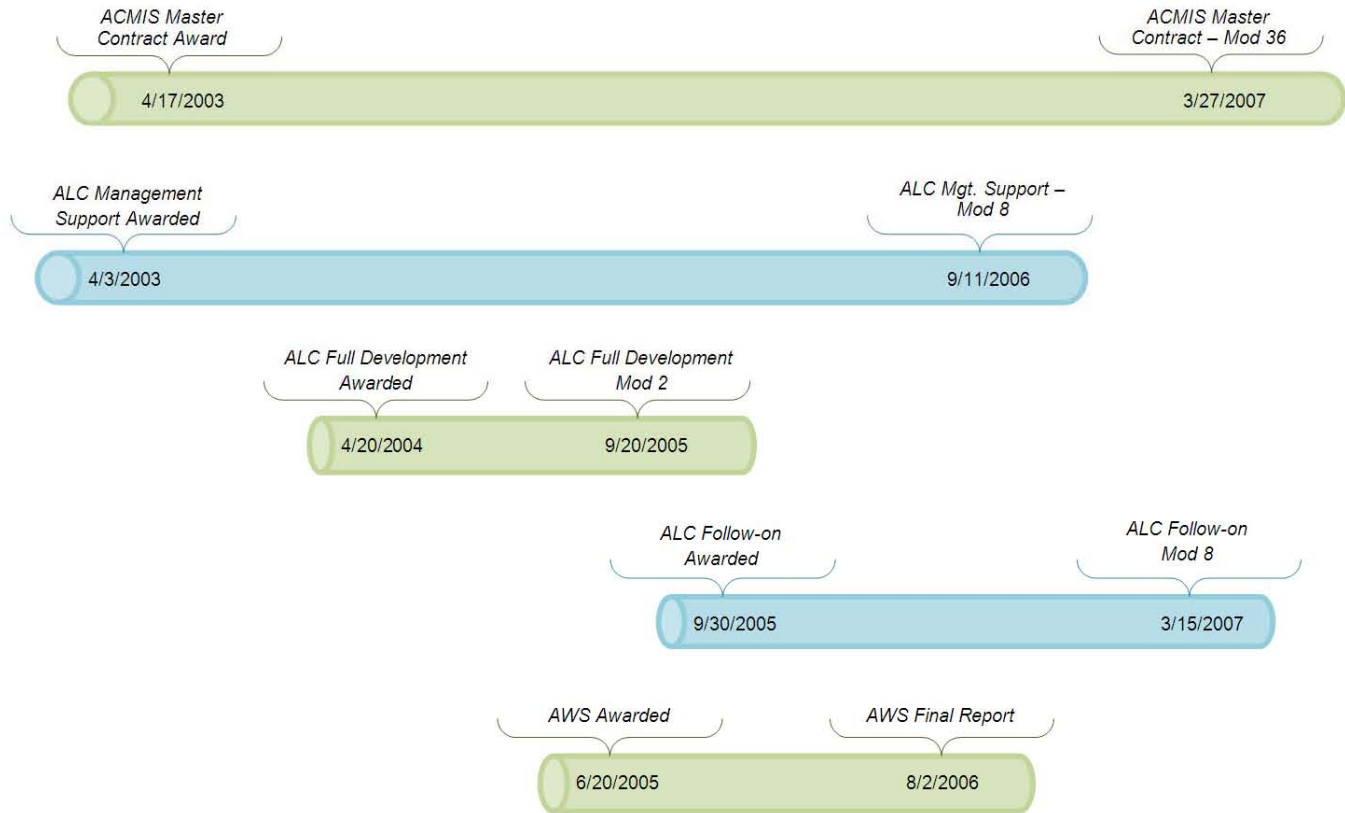
Overview of the Acquisition Workforce Study (AWS)

In 2005, the OCAO solicited an 1102 Acquisition Workforce Study (AWS) to determine if GSA has the right number of 1102s in the right place, with the right tools, skills and competencies to carry out its mission and achieve acquisition excellence. The study was originally supposed to be completed by October 1, 2005. However, several delays and impediments caused the period of performance to be extended and the final report was not delivered until April 2006.

After delivery of the April 2006 report, it was found that the contractor did not capture major components of the work completed by 1102s and that a vast majority of 1102 type work was not considered because other occupational job series were not examined. An additional task was issued to the contractor in June 2006 in the amount of \$14,350 to correct and complete the study. However, the results of the report issued in August 2006 related to the right number of 1102s were inconclusive. The total cost of the AWS, including the follow-on contract, was approximately \$500,000.

**HOTLINE COMPLAINT – ACQUISITIONS WITH
THE OFFICE OF THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011**

Chronology of Contracts



****The contract timelines are from the date of award through the date of the last document reviewed for the contract.**

HOTLINE COMPLAINT – ACQUISITIONS WITH
THE OFFICE OF THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011

Management's Response



U.S. General Services Administration

29 JUL 2008

MEMORANDUM FOR KENNETH L. CROMPTON
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
ACQUISITION AUDITIS (JA-A)

FROM: THEODORE S. HADDAD 
CHIEF ACQUISITION OFFICER (V)

SUBJECT: Management Decision Record and Action Plan Response
to Draft Audit Report Dated June 26, 2008:
Hotline Complaint-Acquisitions with the Office of the Chief
Acquisition Officer Report Number A070046

The Office of the Chief Acquisition Officer has reviewed the Draft Report provided by the Office of Inspector General, and concurs with all four of the report's recommendations. OCAO will submit a Management Decision Record and Time-Phased Action Plan addressing these recommendations upon issuance of the Final Report.

Since last year, OCAO has taken several steps to proactively address all of the report's recommendations, including abolishing the Operational Contracting Staff effective October 15, 2007, in accordance with an earlier interim recommendation. All functions related to contracting and purchasing for the GSA Central Office General Management & Administration (GM&A) offices have been transferred to the Contracting Office in the newly-established Office of Management Services (per GSA Directive ADM 5440.606, October 15, 2007).

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HOTLINE COMPLAINT – ACQUISITIONS WITH
THE OFFICE OF THE CHIEF ACQUISITION OFFICER
REPORT NUMBER A070046/O/A/F08011

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