

**HOTLINE COMPLAINT
GSA PREFERRED
REPORT NUMBER A050163/T/A/Z06002**

March 1, 2006



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: March 1, 2006

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

Subject: Hotline Complaint – GSA Preferred
Report Number A050163/T/A/Z06002

To: G. Martin Wagner
Acting Commissioner, Federal Technology Service (T)

This report presents the results of our review of the hotline complaint on GSA-Preferred. We concluded that the allegations put forth in the hotline complaint were valid. There was evidence of mismanagement of the task, unauthorized requests directed to the contractor to perform, and evidence of the contractor working without funding and traveling without authorization. We noted that FTS management had begun taking steps to address these issues, however due to problems with system usability and data interface issues the project was discontinued.

We believe that maintaining a full-time contracting officer and contracting officer's representative and limiting reimbursable travel expenditures to travel related to system training and testing could benefit any future GSA-Preferred replacement effort. We also believe that utilizing a full-time Independent Verification and Validation (IV&V) contractor and implementing a performance based contracting method should be considered.

If you have any questions regarding this report, please contact Kenneth L. Crompton, Deputy Assistant Inspector General for Acquisition Audits or me on (703) 603-0189.


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**Hotline Complaint – GSA Preferred
Report Number A050163/T/A/Z06002**

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EXECUTIVE SUMMARY

Purpose

Our audit was conducted in response to a hotline complaint pertaining to Task Orders on GSA-Preferred and GSA-Preferred Hosting. The hotline complaint allegations were: contractor traveling without authorization; contractor working without funding; mismanagement of the requirement, and unauthorized requests directed to the contractor to perform work. The audit addressed whether the allegations in the hotline complaint were valid.

Background

In August 2002, the U.S General Services Administration (GSA), Federal Technology Service (FTS) awarded a Millennium Task Order (T0602BN2710) to Unisys Corporation for the design, development, and technical support of a single, integrated system to replace existing major systems and databases used to support the FTS IT Solutions (ITS) national and regional business programs.

In June 2003, FTS awarded a separate Task Order (T0603BN3130) to Unisys to provide enterprise hosting services for the GSA-P business system environment; to include hardware, software, facilities, connectivity, and infrastructure/architecture support services.

On December 21, 2004, the Office of Inspector General received a letter from the Office of the General Counsel of the United States Government Accountability Office (GAO) FraudNET Operations reporting mismanagement by officials at FTS. The complaint was in reference to management of the GSA-P Task Orders. The complaint states:

Possible fraud, waste, abuse, unauthorized request directed to the contractor to perform without official notification from the Contracting Officer. Mismanagement of the requirement has been from the inception of the statement of work to FEDSIM, Region 6 Contracting Officers. Contractors have been working without funds; contractor has been traveling without proper authorization

Results in Brief

We reviewed contract files and interviewed members and former members of the project team to determine if the allegations in the hotline complaint were valid. We found that there was evidence of project mismanagement, unauthorized

direction to the contractor to perform, and contractors working “at risk” without approved funding. The contractor traveling without authorization was a particularly glaring problem, resulting in \$1.62 million in unapproved travel expenditures.

However, FTS management has taken measures to address the allegations in the hotline complaint and to correct problems that were prevalent in the administration of GSA-P. We commend FTS for bringing on a contractor (KPMG) to assess the technical capability and economic cost effectiveness of the system to help determine the future of the project. KPMG’s final assessment was issued to GSA on January 3, 2006. As a result of the KPMG assessment, GSA management made the decision to discontinue implementation of GSA-P. A migration process is now underway to ensure that the data used by GSA-P is accurately transferred back to the current systems.

Recommendations

During the data migration process from GSA-P to the legacy systems, we recommend that the Acting Commissioner of FTS (a) remind the contractor that “at risk” work will not result in compensation and (b) continue to maintain a full-time contracting officer and contracting officer’s representative/project manager to oversee contract administration.

In light of GSA Management’s decision to discontinue implementation of GSA-P, we recommend that in the future GSA-P replacement effort the Acting Commissioner of FTS ensure that GSA contracting personnel approve contractor travel requests prior to travel expenditures. We also recommend that travel reimbursement is limited to travel expenses related only to system testing and training.

Management Response

Management generally concurs with the recommendations. See appendix A-1 for the detailed response.

INTRODUCTION

Background

In August 2002, the U.S. General Services Administration (GSA), Federal Technology Service (FTS) awarded a Millennia Task Order (T0602BN2710) to Unisys Corporation for the design, development, and technical support of a single, integrated system to replace existing major systems and databases used to support the FTS IT Solutions (ITS) national and regional business programs. The new system will replace existing ITS systems, including the Regional Program's Integrated Technology Solutions Shop (ITSS), the Regional Program's Integrated Task Order Management System (ITOMS), the National Programs Order Management Information System (OMIS), and the National Programs Task Order Management System (TOS). Originally known as FTS' Third Generational System (3GS), GSA-Preferred (GSA-P) was created to allow GSA to better serve the Federal customer with up-to-date project management and financial data for task and delivery order solutions.

In June 2003, FTS awarded a separate Task Order (T0603BN3130) to Unisys to provide enterprise hosting services for the GSA-P business system environment; to include hardware, software, facilities, connectivity, and infrastructure/architecture support services. The original contract price for the GSA-P Task Order was approximately \$36 million and the original ceiling price for the GSA-P Hosting Task Order was approximately \$31 million.

In June 2004, FTS rolled out Phase 1 of the GSA-P project. Four sites were selected as "pilot" locations for GSA-P: the Greater Southwest Finance Center at Fort Worth; the Financial Services Center in Philadelphia; Region 3 FTS in Philadelphia; and Region 8 FTS in Denver. GSA had the Defense Finance and Accounting Service (DFAS) perform a Limited User Test (LUT) evaluation of the GSA-P application two weeks after the initial roll out. In the LUT, DFAS identified key problem areas with GSA-P pertaining to data integration difficulties, training deficiencies, data and user administration, and invoice processing. DFAS began a Follow-on Evaluation nine months later in March 2005 and found that many of the problems identified in the LUT were still prevalent, and that user satisfaction with GSA-P was low.

In August 2004, FTS reassigned contracting authority of the project from Region 6 to Central Office, Office of Innovative Business Solutions (IBS). As part of the change in contracting authority, a new contracting officer and contracting officer's representative (COR) was appointed. The first IBS contracting officer left the agency within a month of his appointment and was replaced. In May 2005, GSA appointed a full-time Functional Program Executive for GSA-P and contract

administration was shifted to the Office of Professional Services. Again, with the change in contract administration a new contracting officer, contracting officer's representative, and project manager was appointed.

Due to cost overruns and delays in project implementation, OMB restricted the outlay of funds for GSA-P. As of December 2004, GSA could not outlay additional resources for the project, and funding was restricted only for the operations and maintenance costs of the pilot regions. At the time of our review, the funding restrictions levied by OMB were still in effect.

On September 22, 2005, GSA awarded KPMG with a task order to provide an independent assessment of GSA-P. The objectives of the assessment are to evaluate the extent to which the current implementation of GSA-P meets the stated requirements, and to summarize the alternatives to the current implementation of GSA-P. The final assessment was due to GSA on January 3, 2006.

On December 21, 2004, the Office of Inspector General received a letter from the Office of the General Counsel of the General Accountability Office (GAO) FraudNET Operations reporting mismanagement by officials at FTS. The complaint was in reference to management of the GSA-P Task Orders. The complaint states:

Possible fraud, waste, abuse, unauthorized request directed to the contractor to perform without official notification from the Contracting Officer. Mismanagement of the requirement has been from the inception of the statement of work to Region 6 Contracting Officers. Contractors have been working without funds; contractor has been traveling without proper authorization.

Objective, Scope, and Methodology

The objective of our review was to determine whether the allegations in the hotline complaint were valid. To make this determination, we addressed the following questions:

- Has the contractor been traveling without authorization?
- Has the contractor been working without funds?
- Has there been a continual mismanagement of the requirement from the inception of the statement of work?
- Were there unauthorized requests directed to the contractor to perform without official notification from the Contracting Officer?

To accomplish the audit objectives, we reviewed applicable Federal Acquisition Regulations (FAR) and the GSA Acquisition Manual (GSAM); obtained contract files for the GSA-P and GSA-P Hosting Task Orders to review for completeness and compliance with the FAR; reviewed the Report of Findings of the Follow-on Evaluation prepared by DFAS to identify problems/issues with the GSA-P application; email correspondence relating to the project; the Office of Management and Budget (OMB) Passback Guidance for FY 2006 and the FTS response to the Passback; GSA-P Spending Plans for FY 2006; and GSA-P Travel Plans from September 2004 through January 2005. We also reviewed a prior OIG audit report titled, Review of the Federal Technology Service's Third Generation System (3GS), Report Number A030002/T/T/Z04003, issued February 11, 2004 to obtain background knowledge of the system.

In addition, we interviewed a former Contracting Officer for the project in Region 6 to gain an insight on early contract administration of the project and to obtain any additional documentation that was missing from the contract file in Central Office. We also interviewed the contracting officer's representative and contracting officer in Central Office, Innovative Business Solutions and the current contracting officer's representative, contracting officer, and Functional Program Executive in Central Office, Office of Professional Services.

The audit was performed between March and September 2005 in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

The allegations put forth in the hotline complaint were valid. Project mismanagement led to unauthorized and excessive contractor travel expenditures, the contractor working “at risk” without funding, and improper requests by GSA/FTS employees to the contractor to perform work without contracting officer approval. However, FTS management has taken measures to address the allegations in the hotline complaint and to correct problems that were prevalent in the administration of the GSA-P project. Contracting officer duties were reassigned from Region 6 to Central Office in an effort to correct problems in contract administration. A full-time GSA-P contracting officer and contracting officer’s representative were appointed to carry out contract administration duties. Also, a Functional Program Executive was assigned to the project to provide executive level oversight of the day-to-day operations of project development, teams, and implementation.

On January 10, 2006, following the issuance of a KPMG advisability report on GSA-P, GSA decided to discontinue project implementation. A migration process is now underway to ensure that the data used by GSA-P is accurately transferred back to the current systems.

We believe that in addition to actions already taken, a change to performance based contracting methods and the use of a full-time Independent Verification and Validation (IV&V) contractor could enhance GSA’s control over project costs and benefit the future GSA-P replacement system.

Contractor Traveled without Authorization

Contractor/subcontractor personnel incurred over \$1.62 million in unapproved travel expenditures. All contractor requests for long distance travel must be approved by the Contracting Officer’s Representative prior to incurring costs, as stated in Section B of the GSA-P Task Order. However, no travel approval process was in place from the inception of the contract until the transfer of contract administration duties to Central Office, Innovative Business Solutions in August 2004. Both Region 6’s contracting officer and the contractor appeared unaware of the requirement.

Per Section B.5 of the Task Order:

Other Direct Costs (ODCs) and long distance travel are anticipated during the performance of this requirement. Since these costs cannot be accurately forecast at this time, they will be partially funded as indicated on the award document. The contractor shall be reimbursed for actual

allowable costs that apply over the life of the Task Order. For long distance travel, the actual allowable costs over the life of the Task Order are not to exceed the amount shown in the schedule. Costs for ODCs and travel will not be fee bearing. While the estimate amount represents the government's best estimate, the government may increase the amount obligated for these line items unilaterally if such action is deemed advantageous.

All requests for long distance travel and ODCs must be approved by the contracting officer's representative (COR) prior to incurring costs, except as noted in the following. Long distance travel will be reimbursed to the extent allowable pursuant to the Federal Travel Regulations (FTR). Local travel shall be billed as an ODC and is defined as all travel within a fifty mile radius of Washington, DC or within a fifty mile radius of the contractor's facility when the client site is outside the Washington, DC area.

The original government estimate for long distance travel (CLIN 11) was \$50,000, as partial funding to get started. As of September 2005, over \$3 million of funding has been obligated to support CLIN 11, and \$2.4 million was expended through March 2005. Reportedly, OMB curtailed expenditures from CLIN 11 in January 2005. Prior approval of anticipated contractor/subcontractor travel did not occur from inception through August 2004. The contractor was reimbursed over \$1.62 million during this period for CLIN 11.

Both the contractor and subcontractor reportedly lacked local staff with knowledge and expertise necessary to work on the project. Therefore, employees from cities such as San Diego, California, Toronto, Canada, Boston Massachusetts, Atlanta, Georgia, St. Louis, Missouri, etc. traveled to the work site in Reston, Virginia on a weekly basis, leading to exceptionally high travel costs. A review of the contractor's monthly travel plans from September 2004 through January 2005 showed that travel expenditures were on pace to exceed \$1.3 million annually. We believe compensated travel should be limited to travel necessary for system testing and training.

While neither the Region 6 contracting officer nor contractor appeared aware of the prior approval of travel requirement, other circumstances may have contributed to the lack of prior approval. The COR responsible for travel approval left the project sometime prior to October 2003. The COR was not officially replaced until September 2004 although one was assigned to oversee the project unofficially in October 2003. In addition, the Region 6 contracting officer also was a supervisor responsible for overseeing other contracting officers and reportedly had little time to oversee contract administration and was geographically separated from the project.

Contractor Working without Funds

The contractor reportedly worked “at risk” and may have incurred in excess of \$2.63 million (including the \$1.62 million mentioned above) in costs without GSA approval. This principally occurred between May and October 2004 and occurred during the transition of contract administration duties from the Region 6 contracting officer to the contracting officer and COR in Central Office. In our opinion, GSA allowed this “at risk” condition to ensure the project moved forward, thereby allowing the contractor to incur thousands of dollars in cost prior to official funding approval.

However, in reviewing GSA-P financial data for Fiscal Years 2003-2005, an “at risk” situation is not clearly reflected. The inability to clearly identify an “at risk” situation may be due to the manner in which the contractor submits requests for reimbursement, sometimes months after actual cost incurrence. It appears the contractor did not timely submit a request for increased funding in accordance with the statement of work. A change in contract personnel may have contributed to this delay.

According to the SOW, FAR Clause 52.323-22, Limitation of Funds, applies to the Task Order. FAR Clause 52.232-22 states,

(c) The Contractor shall notify the Contracting Officer in writing whenever it has reason to believe that the costs it expects to incur under this contract in the next 60 days, when added to all costs previously incurred, will exceed 75 percent of the total amount so far allotted to the contract by the Government

(f) Except as required by other provisions of this contract, specifically citing and stated to be an exception to this clause—

(1) The Government is not obligated to reimburse the Contractor for costs incurred in excess of the total amount allotted by the Government to this contract; and

(2) The Contractor is not obligated to continue performance under this contract (including actions under the Termination clause of this contract) or otherwise incur costs in excess of—

(i) The amount then allotted to the contract by the Government.

Under the base contract, the contractor reportedly worked “at risk” on certain CLIN activity in FY 2004. This was corrected October 20, 2004 by modification 17. The “at risk” work reflected by CLIN below was performed prior to the incremental funding modification on October 20.

CLIN#	Performance Start Date
2	9/1/04
4	10/1/04
5A	5/15/04
5B	8/1/04
5G	8/1/04
11	9/1/04
13A	8/1/04
13B	10/1/04
17	10/1/04

The contractor cost associated with this “at risk” work is not discernible due to modification 17 including periods of performance beyond October 20, 2004. In an email dated 8/31/04, there is identification of “at risk” work performed on the Hosting Task Order with the contractor’s cost totalling approximately \$371,211. In another “at risk” situation, in an email dated 4/23/04 from the project manager to the contracting officer, the contractor reportedly had a liability in CLIN 11 (travel) of over \$2.39 million, yet the contract limit at the time for that CLIN was restricted to \$850,000.

In an email dated September 7, 2004 to the then contracting officer, a supervisor in the IT Acquisition Service Center stated that “the contractor and GSA are irresponsible at best given the lack of funding and the contractor’s continued working at risk”. We also believe that the contractor may have violated provisions within the SOW requiring timely notification of a need for added incremental funding.

In a memorandum for the record prepared October 8, 2004 the COR in discussing options for modification 17 outlined three possible actions – continue funding, consider new competition, or work stoppage. The contracting officer in an email dated 9/14/04 recommended work stoppage. That contracting officer left the agency several weeks later and was replaced. The COR’s memorandum for the record explained that work stoppage was not desirable because Regions 3 and 8 would otherwise be without a system.

Mismanagement of Task Order/Project

Task Order/Project Administration was not receiving the full attention required for such a key project. Based on the findings outlined in the other three allegations, evidence of project mismanagement exists. The complainant did not provide specific issues under this allegation. Numerous attempts were made to contact the complainant for clarification but we were unable to make personal contact.

Project Teams

Three different project teams (contracting officer, contracting officer's representative and/or project manager) have managed the GSA-P project over the past three years. The changes in project team make-up were due to multiple reasons ranging from ineffective contract administration to the need for specialized contract oversight.

The original project team consisted of a contracting officer who was simultaneously performing duties as a supervisor of a section. His contract files were incomplete. For example, nine of the 14 contract modifications executed by this contracting officer lacked documentation supporting the change. Also, critical contract file documentation such as the procurement request and price negotiation memorandum were missing. This person was removed as the supervisor of the section for other causes and subsequently removed as GSA-P contracting officer. The original COR held those duties for a relatively short time due to his departure from the project. The COR was not formally replaced for approximately 11 months. Once contract administration was transferred from Region 6 to Central Office, oversight of the project markedly improved.

A contracting officer from the Office of Innovative Business Solutions was next assigned contracting officer duties for GSA-P. This person left the agency approximately one month after appointment and recommended a work stoppage due to issues evolving around authorized funding and travel as discussed above, as well as other administrative issues. Next, another contracting officer was designated to oversee the GSA-P Task Order/modifications. This person was simultaneously assigned to a major GSA project known as Enterprise Customer Relationship Management (ECRM)¹. During the period of time that the first two project teams were responsible for GSA-P, overall responsibility for program management fell upon the Center for Special Projects and New Product Development, within the Office of Information Technology Integration. A COR was officially designated approximately 11 months after having been assigned project management duties.

A full-time Functional Program Executive/COR from the Office of Professional Services was assigned to oversee the day-to-day operations of GSA-P development in May 2005. By this time, the second DFAS evaluation was nearing completion and indicated a need for this change. Subsequently, a full-time project manager and full-time contracting officer have been assigned to the project. While it is too early to evaluate this team's effectiveness, it is a move in the right direction. Thus, we will not make any recommendations related to project team composition.

¹ECRM is a system intended to increase efficiency by providing a single, historical source for data and increase the effectiveness of our business as we provide more targeted, integrated products and services to customers

File Maintenance

As discussed above, the GSA-P contract files were incomplete. Transfer of contracting officer function from Region 6 to Central Office may have contributed to this condition. However, much of the missing documentation was the responsibility of the Region 6 contracting officer. The following information is missing: Procurement Request, Legal Review, Pre-Negotiation Objectives, and the Price Negotiation Memorandum. In addition, nine of the 14 Task Order modifications signed by the original contracting officer lacked supporting documentation in the file justifying the need for the modification.

Under the provisions of FAR Part 4.803 and GSAM Part 504.803, the missing documentation listed above is normally contained, if applicable, in the contract file, including documents supporting modifications executed by the contracting office.

Unauthorized Work Requests Directed to the Contractor

Interviews with the contracting officer and contracting officer's representative reveal that the allegation may have some merit. One email written by the contracting officer and sent to various GSA and contractor project personnel addressed the need for GSA personnel to refrain from directing the contractor to perform work and for the contractor to accept work direction only from the contracting officer. In another email, an individual in the Center for Special Projects and New Product Development was informed by the contracting officer of additional tools being added to the Task Order without her authorization. This is particularly significant since GSA/FTS was under funding restrictions from OMB at the time. Without the contracting officer having sole control over work direction, GSA/FTS could incur thousands of dollars in work not necessary and/or desired. Under the provisions of the FAR, Part 43.102 (a), only contracting officers acting within the scope of their authority are empowered to execute contract modifications on behalf of the Government. Other Government personnel shall not execute contract modifications, act in such a manner as to cause the contractor to believe that they have authority to bind the Government, or direct or encourage the contractor to perform work that should be the subject of a contract modification.

Recommendations

During the data migration process from GSA-P to the legacy systems, we recommend that the Acting Commissioner of FTS:

1. Remind the contractor that "at risk" work will not result in compensation.

2. Continue to maintain a full-time contracting officer and contracting officer's representative/project manager to oversee contract administration.
3. Ensure that all direction to the contractor to perform work comes from the contracting officer in the form of a Task Order modification with appropriate supporting documentation.
4. Remediate the contract files, ensuring that all required documentation is included.

In light of GSA Management's decision to discontinue implementation of GSA-P, for any future replacement systems for GSA-P, we recommend the Acting Commissioner of FTS:

5. Ensure that any contractor travel requests are approved by the contracting officer's representative.
6. Modify the contract with the intent to limit contractor travel costs to travel necessary for system training and testing.

Management Comments

Management generally concurs with the recommendations. See appendix A-1 for the detailed response.

Internal Controls

Except as addressed in this report, we did not evaluate GSA-P internal controls.

ISSUES NEEDING FURTHER CONSIDERATION

The GSA OIG issued a report titled “Review of the Federal Technology Service’s Third Generation System (3GS)” (Report Number A030002/T/T/Z04003, dated February 11, 2004). The report included identification of interface issues, which remain today. System users remain dissatisfied with the development progress as it relates to interfaces and manual work-arounds. One specific issue creating problems and mentioned in the above referenced report was the “one interface of **critical** (emphasis added) importance is GSA’s financial system of record, Pegasys. If this interface is not functioning as intended, 3GS goals of completely eliminating manual reconciliation and providing real-time information may not be reached with the system.”¹ In another evaluation report, issued by the Defense Finance and Accounting Service (DFAS), many user issues are reported to remain.

DFAS’s Technology Service was hired by GSA/FTS as an Independent Validation and Verification contractor to perform a Follow-On Evaluation to a previously performed Limited User Test (LUT) that identified 102 problems with GSA-P. DFAS’s report was issued May 13, 2005 and made recommendations including but not limited to:

- Develop a group of core competency individuals to receive knowledge transfer of GSA-P technical configuration information.
- Review report development requirements and identify full-time staff to support the Report Development effort.
- Implement a means for vendors to transfer invoices electronically as soon as possible.

Under a section listed as New Problems, but previously identified by GSA’s OIG, the report relates “the largest number of problems encountered by the user result from the integration between Pegasys and GSA-P and the differences between the processing that occurs in each system.

- Edits in GSA-P do not match the edits in Pegasys. The transaction can pass the edits of GSA-P and fail once it reaches Pegasys.
- The current rejection rate for the regions is between 30 and 35 percent. Each reject requires research and correction. Both processes are slow and labor intensive.”²

Also reported was the data entry was cumbersome with scrolling being slow. Users are keeping separate spreadsheets on contract savings. Edits are “loose” in that the system allows an entry on a modification without signature of approval.

¹ GSA Office of the Inspector General Report titled “Review of the Federal Technology Service’s Third Generation System (3GS), Report Number A030002/T/T/Z04002, dated February 11, 2004.

² Report of Findings of the Follow-on Evaluation, Final Report, May 13, 2005, Defense Finance and Accounting Services.

Overall the users consider 52 percent of the 102 problems to still exist and progress to resolve the problems has slowed to a crawl. “Most users felt the new system was a step backwards in features and business automation. Users relied on spreadsheets, separate databases and calculators to determine the status of the data within GSA-P. The most inhibiting factor of this system is the lack of tools such as reports and queries needed to manage the projects, answer questions that were posed by customers and vendors or perform research to resolve problems.”³ Issues/recommendations we believe one shouldn’t be seeing 17 months after implementation start date.

Last reported, GSA/FTS had obligated over \$93 million for GSA-P (\$61.8 million for development and \$31.2 million for hosting) and had expended over \$65.9 million (\$44.9 million on capitalized development; \$16.5 million on capitalized hosting and \$4.5 on development expenses). These figures do not include any direct GSA expenditures.

In late September 2005, after continuing delays and problems in development, GSA hired an outside consultant, KPMG, to “investigate the current system technical and functional requirements implementation, provide recommended business process solutions for improvement within the current system or recommendations for Alternative system solutions.”³ The project was completed by January 3, 2006 and had five objectives: (1) identify the gap between what is and the requirements; (2) steps needed to meet stated requirements; (3) costs associated with steps needed in (2) above; (4) summary of alternatives and (5) estimated costs of alternatives. KPMG’s contract was for \$192,500. We believe that the contract was brought about by the efforts of current project team mentioned in the Management of Task Order/Project section of this report. On January 10, 2006, following the release of the KPMG advisability report, the Acting Commissioner of the Federal Acquisition Service (FAS) issued a message to FAS Associates indicating that GSA is discontinuing the implementation of GSA-P effective immediately. The KPMG report led GSA management to determine that continuing with GSA-P would not be in the best interest of GSA’s associates and federal customers. A migration process is now underway to ensure that the data used by GSA-P is accurately transferred back to the current systems.

We believe three actions should be considered by GSA/FTS in implementing an alternative to GSA-P: (1) establish performance-based contracting vehicle(s); (2) hire an Independent Validation and Verification contractor to evaluate all contractor proposals and modifications and approval of requests for payment for related work reportedly completed; and (3) implement the Office of Management and Budget’s project management tool – Earned Value Management – to control costs and more vigorously manage the project.

³ GSAP Advisability and Alternative Assessment Project, Statement of Objectives.

GSA-P Replacement May Benefit from Performance-Based Contracting Methods

The inclusion of performance-based contracting methods in future tasking of Unisys or a replacement contractor would serve to enhance the level of control GSA/FTS maintains over the costs, timeliness, and performance of the vendor as these items relate to system development. Performance-based service contracting (PBSC) methods are intended to ensure that required performance quality levels are achieved and that total payment is related to the degree that services performed meet contract standards. The major driving aspect of the current delivery order for Unisys is the number of labor hours worked not Unisys' performance.

PBSC emphasizes, in its structure, form over manner of performance and is designed to ensure contractors are given freedom to determine how to meet the Government's performance objectives that appropriate quality levels are achieved, and the payment is made only for services that meet these levels.

Regarding software development contracts, PBSC focuses on three critical elements: a performance work statement; a quality assurance plan; and appropriate incentive/disincentives. The performance work statement defines the Government's requirements in terms of the objective and measurable outputs. It should provide the vendor with the answers to five basic questions: what, when, where, how many, and how well. The performance requirements statements describe the required services in terms of output. They should express the outputs in clear, concise, commonly used, easily understood, measurable terms. They should **not** include detailed procedures that dictate how the work is to be accomplished.

If GSA/FTS goes forward with developing a replacement system for ITSS, through Unisys or a replacement contractor, the project has gone sufficiently in length and process to clearly identify the questions for the continuation of the project or development of new requirements. As such, it is imperative on GSA to develop task requirements in the performance-based model. If this can't be done, we believe no further development efforts should be attempted.

An Independent Validation and Verification Contractor May Aide Oversight

DFAS's Follow-On Evaluation, as previously related, identified a key gap in GSA's staffing of this project – a group of core competency staff to receive knowledge transfer from Unisys. With limited knowledgeable in-house project management staff and the lack of on-going IV&V process, oversight has been a challenge. While we encourage DFAS's recommendations be implemented should the project go forward, we also believe GSA could benefit from an on-going IV&V team.

The Federal Acquisition Regulations, clause 15.404-1 (a)(1) states, “the contracting officer is responsible for evaluating the reasonableness of the offered prices.” Due to the limited number of qualified personnel at GSA, the contracting officer or project manager may request advice and assistance of other experts to ensure that an appropriate analysis of the contractor’s proposal is conducted. At a minimum, the technical analysis should examine the need for the types and quantities of labor hours and labor mix.

While we recognize services such as these come with a price attached, we feel it prudent for GSA/FTS to procure IV&V services to review the reasonableness of proposals submitted by a vendor, in all aspects, in an effort to ensure advancement of the project in accordance with published cost and time projections and to permit evaluation of work completed to determine incentives /disincentives accrued by the vendor. In addition, a more rigorous discipline such as Earned Value Management should be part of this cost containment process.

APPENDICES

**Hotline Complaint—GSA Preferred
Report Number A050163/T/A/Z06002**



GSA Federal Technology Service

FEB 27 2006

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

FROM G. MARTIN WAGNER 
ACTING COMMISSIONER
FEDERAL ACQUISITION SERVICE (FAS)
FEDERAL TECHNOLOGY SERVICE (FTS)

SUBJECT: Hotline Complaint - GSA Preferred
Report Number A050163

Thank you for the opportunity to comment on the Office of the Inspector General (OIG), Acquisition Audits Office (JA-A) draft report on the Hotline Complaint on GSA Preferred (GSA-P). The Federal Technology Service (FTS) also appreciated the opportunity to meet with the participating OIG audit staff and discuss the findings, as well as the decisions that GSA/FTS had made with regards to the future of GSA-P, on December 14, 2005.

We concur with the overall findings and recommendations of the report and have already implemented many of the recommendations cited by the OIG audit staff. As discussed with the OIG audit staff GSA/FTS has halted the development and implementation of GSA-P. GSA/FTS will be migrating all of the data currently housed in the system out of the system over the next several months. We have no additional comments that we wish to have considered in the final report. We appreciate the effort put forth by the OIG audit staff.

If there are any questions relating to GSA-P, please contact Tom Brady, GSA-P Functional Executive on (703) 306-6209.

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Fairfax, VA 22030-2213
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**Hotline Complaint—GSA Preferred
Report Number A050163/T/A/Z06002**

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