
Recipient Financial Management System Contract
Computer Data Systems, Incorporated
Rockville, Maryland

FINAL AUDIT REPORT



Audit Control Number ED-OIG/A02-80002
September 2000

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and effective use of taxpayer dollars
in support of American education.



U.S. Department of Education
Office of Inspector General
Boston, MA



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

SEP 2 2000

ACN: ED/OIG- A02-80002

Robert Woods
President
ACS GSG
One Curie Court
Rockville, Maryland 20850

Dear Mr. Woods:

Enclosed is our report entitled Recipient Financial Management System Contract (ED-OIG/A02-80002). The report incorporates the comments you provided in response to the draft audit report. If you have any additional comments or information you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department official, who will consider them before taking Departmental action on the audit:

Glenn Perry
Director of Contracts and Purchasing Operations
Contracts and Purchasing Operations
U.S. Department of Education
400 Maryland Ave., SW
Regional Office Building 3, Room 4004
Washington, D.C. 20202

Office of Management and Budget directs Federal agencies to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with the Freedom of Information Act (Public Law 90-23), reports issued to the Department's grantees and contractors are made available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemption in the Act.

Please refer to the above audit control number in all correspondence relating to this report.

Sincerely,

Lorraine Lewis
Lorraine Lewis

cc: Mr. James A. Reeves, Senior Vice President, ACS-GSG
Mark O'Connor, ACS GSG Internal Audit

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-1510

Our mission is to ensure equal access to education and to promote educational excellence throughout the Nation.

NOTICE

Statements that financial and/or managerial practices need improvement or recommendations that costs questioned be refunded or unsupported costs be adequately supported, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations on these matters will be made by appropriate U.S. Department of Education officials. In accordance with the Freedom of Information Act (5 U.S.C. §552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

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EXECUTIVE SUMMARY

We audited the Recipient Financial Management System (RFMS) contract awarded to Computer Data Systems, Incorporated (CDSI)¹. Our objective was to determine the accuracy and reasonableness of costs incurred for products and services provided. Our audit covered the period of June 23, 1997 through December 31, 1998.

We found that CDSI's charges under the contract were generally accurate and reasonable. However, our tests of charges disclosed that one manager assigned to the RFMS contract spent a substantial amount of time on other projects.

The contract requires CDSI to assign managers and supervisors to the project full time and not assign them to any other tasks. Accordingly, payment for such personnel are fixed monthly amounts. We are recommending that the Contracting Officer for the RFMS contract require CDSI to reimburse the U.S. Department of Education (ED) \$39,565.13 and ensure that all RFMS managers and supervisors are assigned to the project full time.

CDSI agreed with the premise of the finding but disagreed with the costs. We reviewed CDSI's response and our corresponding documentation and have adjusted the report as appropriate but our position remains unchanged. The costs questioned are based on actual monthly time charged by the manager. CDSI should reimburse ED \$39,565.13.

¹ CDSI was acquired by Dallas-based Affiliated Computer Services, Inc. (ACS) during the audit period and is presently known as ACS Government Solutions Group.

One Manager Performed Work Unrelated to the Contract

One manager assigned to the RFMS contract, charged 29 percent of his direct time to other projects during the first 14 months of the contract. However, CDSI charged ED for 100 percent of the manager's time. As a result, CDSI over-billed \$39,565.13 and reduced the effort required under the contract.

As part of our audit, we reviewed a judgmental sample of CDSI's time sheets for personnel assigned to the contract. Our review disclosed that one manager had charged time to other projects. We therefore reviewed all time sheets pertaining to this manager for the audit period. From June 25, 1997 through August 31, 1998, 71 percent of the direct hours (1,940.5 of 2,724.5) reported for this manager were spent on the RFMS contract. The remaining 29 percent (784 hours) were spent on other direct tasks.

The contract between ED and CDSI (Contract No. PM 97 002 001) requires CDSI to assign managers or supervisors to the project full time. Specifically, Section C-1.2, paragraph three of the Performance Work Statement (Attachment I to the Contract) states: "The contractor shall assign all individuals designated as managers or supervisors to the project full time, and not assign any other duties to these individuals."

The contract's billing terms establish a fixed monthly rate of \$10,732.84 for the applicable manager position. On its initial invoice, covering the period June 24, 1997 through July 31, 1997, CDSI charged ED \$8,686.89. However, the manager's time sheets for this period disclosed he spent only 56.49 percent of his direct time on the project. As a result, we are questioning \$1,209.18 for the portion of the payment attributable to time spent on other tasks.

During the subsequent 13 months, covering the period August 1, 1997 through August 31, 1998, CDSI charged the full monthly rate of \$10,732.84. However, the manager's time sheets for this period disclosed he spent only 72.51 percent of his direct time on the project. Accordingly, we are questioning \$38,355.95 for time spent on other tasks during those 13 months.

Based on the amounts paid and actual time worked on the project, we are questioning a total of \$39,565.13.

Recommendations

We recommend that the Contract Officer for the RFMS contract ensure that CDSI:

1. Refunds \$39,565.13 paid for time that the manager spent on other tasks, and
2. Adheres to the terms of the contract requiring that managers and supervisors be assigned to the contract full time and not be assigned any other duties.

CDSI's response

CDSI agreed that the Operations Manager worked on another project, but believes that the calculation of the amount should be based on the 80 hour per pay period standard. CDSI charged 100 percent of the fixed monthly fee for each month. This was based on a full time equivalent that equates to 8 hour per day and 80 hours per pay period. Using this reasoning, CDSI calculated the amount to be returned to the U.S. Department of Education to be \$18,453.77.

OIG's reply

Section C-1.2, paragraph three of the Performance Work Statement (Attachment I to the Contract) states: "The contractor shall assign all individuals designated as managers or supervisors to the project full time, and not assign any other duties to these individuals." Therefore, the Operations Manager should not have had other duties while assigned to this project. The OIG's calculation was based on actual hours worked rather than the 80 hour per pay period standard, because the contract indicated that the Operations Manager would only be working on this project. Using this reasoning the amount stated in the finding of \$39,565.13, remains as the amount recommended to be returned to the U. S. Department of Education.

BACKGROUND

The RFMS contract is a single contract for developing, implementing, operating, and maintaining the system(s) which process recipient and financial management data for designated Title IV programs including, but not necessarily limited to the Federal Pell Grant program. This contract requires the development of a new processing system to be known as the Recipient and Financial Management System to deliver Federal Pell Grant awards. The contract also requires the provision of all services, personnel, hardware and software, to operate and maintain the system, to update the system annually, and to process data effectively.

The initial contract award was for \$3.5 million. This amount has been increased to \$7,497,726 based upon subsequent contract modifications through September 8, 1998.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine the accuracy and reasonableness of costs incurred for products and services provided by CDSI under the RFMS Contract.

To accomplish our audit objective we obtained and reviewed documentation pertaining to the contract, selected deliverables and associated costs, including:

- RFMS Contract (including Modifications),
- CDSI policies and procedures,
- Results from prior internal and external audits,
- Various correspondence between CDSI and ED,
- CDSI invoices,
- Resumes and time sheets of contractor personnel, and
- Deliverables

We reviewed 100 percent of the resumes for key personnel assigned to the contract. We judgmentally selected three key personnel and two non-key personnel to test the allowability of personnel charges to the contract. Due to an exception found with the time charges for one of the key personnel we expanded our sample to determine whether similar conditions affected other key personnel. We tested the charges for three additional key personnel, resulting in a review of 50 percent of the key personnel assigned to the contract. We also reviewed all time sheets for the exception to quantify the unallowable charges to the contract.

We obtained and reviewed all invoices submitted and Independent Quality Control Unit (IQC) reports provided to ED as of the date of our review. We also judgmentally selected three specific deliverables required under the contract for our review.

We also interviewed ED and CDSI officials and observed various processes being performed by CDSI personnel under the contract.

Our audit covered the period June 23, 1997 through December 31, 1998. Our field work was performed at both CDSI, Rockville, Maryland and the U.S. Department of Education, Washington, DC between June 3, 1998 and November 20, 1998. We performed a follow-up site visit at CDSI in July 1999 and discussed the status of our finding with CDSI officials in July 2000.

Our audit was conducted in accordance with government auditing standards appropriate to the audit scope.

MANAGEMENT CONTROLS

As part of our review, we assessed CDSI's management control structure, as well as its policies, procedures and practices applicable to the scope of the audit. The purpose of our review was to assess the level of control risk for determining the nature, extent and timing of our substantive tests. For the purpose of this report, we assessed and classified the significant controls into the following categories:

- Production
- Billing
- Customer Service
- Monitoring
- Personnel Time and Attendance Reporting

Because of inherent limitations, a study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the control structure. Our audit did not disclose material weaknesses in the internal controls applicable to the above categories. However, our compliance testing disclosed one instance of material noncompliance during our audit tests, as described in this report.



Advanced Technology
Common Sense Solutions

James A. Reeves
Senior Vice President

September 8, 2000

Mr. Daniel Schultz
Regional Inspector General for Audit
U.S. Department of Education
Office of Inspector General
75 Park Place
Room 1207
New York, New York 10007

Reference: Response to Recipient Financial Management System Contract Draft Audit Report, Control Number ED-OIG/A02-80002

Dear Mr. Schultz:

ACS Government Solutions Group, Inc. (ACS GSG) has reviewed the subject report and does not concur with the finding in its entirety. We acknowledge that one manager was assigned to another project during the first 14 months of the contract and that the effort required under the contract was reduced. However, our finding is that this manager spent 87 percent of the Total Productive Labor Hours* (PLH) (1949 of 2238.5) on the RFMS contract. Based on our calculations, we recommend that ACS GSG refund \$18,453.77 for the reduced effort delivered on the RFMS contract.

Dollar Impact

The manager's timesheets, for the period covering June 26, 1997 through July 31, 1997, discloses that he spent 73 percent of the PLH on the RFMS project. ACS GSG charged 81 percent of the billing unit. Therefore, ACS GSG feels the disputable amount is \$851.92.

During the subsequent 13 months, covering the period August 1, 1997 through August 31, 1998, the manager charged 88 percent of the PLH to the RFMS project. ACS GSG charged the customer 100 percent of the fixed monthly rate for each month, and thus recommends that we refund \$17,601.85.

The attached spreadsheet provides a detailed analysis of our finding.

ACS Government Solutions Group, Inc.

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Corrective Action

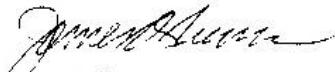
Since November of 1998, ACS GSG has tracked key personnel time charges by labor category and by ACS GSG pay period on a monthly and cumulative basis. Each month, hours are tracked against the total possible hours, less holidays, vacation, and sick leave, to derive the Total Productive Labor Hours. This is used to determine that a Full Time Equivalent (FTE) for each key position is provided to the client. This methodology is consistent with our BAFO proposal.

ACS GSG is required to provide one (1) FTE for each key position. This equates to 8 hours of service per workday. Varying schedules are permitted provided that 80 hours are accumulated during each pay period. ACS GSG invoices the appropriate number of billing units for each key personnel deliverable based on the percentage of PLH hours calculated above. In the case of a shortfall, the billing unit is adjusted to reflect the appropriate percentage of service provided for the month.

The purpose of this corrective action is to ensure that key personnel are assigned to the contract full time and shall not be diverted to other programs without written consent from the Contracting Officer.

If you have questions or wish to discuss our recommendations, please contact Aileene Cottrell at (301) 921-7218 or Lisa David at (301) 721-5383.

Sincerely,



James A. Reeves
Sr. Vice President

cc: Robert Woods, President
John Shaw, Group Director
Joni Miller, Director of Contracts
Mark O'Connor, Internal Audit
ACS GSG Business Management
ACS GSG Contract File

* Total Possible Hours less Holiday, Vacation and Sick Leave

Key Personnel: Operations Manager, June 26, 1997 Through August 31, 1998

Key Position	Mo./Yr.	Staff Name	Hours Worked		TOTAL HOURS WORKED	Total Possible Hours (FTE)	Less: Actual Holiday, Vacation, and Sick Leave	Total Productive Labor Hours (PLH)	Variance	% Hours Worked to Total Productive Labor Hours (PLH)	Actual Billing			Adjusted Billing		Disputable Amount	
			PELL GRANT	OTHER							Billing Unit	Unit Price	Amount	Adj. Billing Unit	Adj. Billing Amount		
Operations Manager	Jun-97		7.5	13.5	21.0	24.00	(1.00)	23.00									
	Jul-97		125.5	80.0	205.5	194.00	(25.00)	159.00									
			133.0	93.5	226.5	208.00	(26.00)	182.00	(\$8.00)	73%	0.81	\$10,732.84	\$8,686.89	0.73	\$7,634.97	\$897.92	
	Aug-97		130.0	50.0	180.0	168.00	(12.00)	156.00	(24.00)	83%	1.00	\$10,732.84	\$10,732.84	0.83	\$8,608.26	\$1,924.58	
	Sep-97		148.5	23.0	221.5	176.00	(8.00)	168.00	(19.50)	85%	1.00	\$10,732.84	\$10,732.84	0.85	\$9,444.80	\$1,287.94	
	Oct-97		150.0	80.5	230.5	183.00	(8.00)	175.00	(23.00)	85%	1.00	\$10,732.84	\$10,732.84	0.85	\$9,423.81	\$1,609.03	
	Nov-97		133.0	43.0	176.5	151.00	(10.00)	141.00	(11.00)	82%	1.00	\$10,732.84	\$10,732.84	0.82	\$9,724.21	\$658.63	
	Dec-97		80.5	82.0	162.5	149.00	(37.50)	111.50	(56.00)	82%	1.00	\$10,732.84	\$10,732.84	0.82	\$8,654.35	\$4,078.48	
	Jan-98		100.5	50.0	150.5	170.00	(50.00)	120.00	(45.00)	84%	1.00	\$10,732.84	\$10,732.84	0.84	\$9,015.58	\$1,717.25	
	Feb-98		133.0	51.5	184.5	160.00	(18.00)	142.00	(15.00)	84%	1.00	\$10,732.84	\$10,732.84	0.84	\$9,044.80	\$1,237.64	
	Mar-98		151.0	37.0	188.0	176.00	(13.00)	163.00	(15.00)	94%	1.00	\$10,732.84	\$10,732.84	0.94	\$10,988.87	\$843.97	
	Apr-98		168.0	48.5	214.5	176.00	(15.00)	161.00	(19.00)	94%	1.00	\$10,732.84	\$10,732.84	0.94	\$10,988.87	\$843.97	
	May-98		188.0	37.0	207.5	176.00	(16.00)	160.00	(8.00)	105%	1.00	\$10,732.84	\$10,732.84	1.00	\$10,732.84	\$0.00	
	Jun-98		147.0	32.0	179.0	164.00	(17.00)	147.00	(24.00)	89%	1.00	\$10,732.84	\$10,732.84	0.89	\$9,444.90	\$1,287.94	
	Jul-98		141.5	53.0	194.5	164.00	(17.00)	147.00	(24.00)	84%	1.00	\$10,732.84	\$10,732.84	0.84	\$9,015.58	\$1,717.25	
	Aug-98		4.5	3.5	8.0	164.00	(159.50)	4.50	(240.50)	88%							
			1816.0	703.5	2,519.5	2,256.00	(199.50)	2,056.50	(240.50)				\$139,526.92			\$17,091.85	
TOTAL			1,949.0	797.0	2,746.0	2,464.00	(225.50)	2,238.50	(288.50)	87%	13.81		\$146,213.81		12.09	\$129,760.04	\$18,453.77

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