

REVIEW OF
FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER CONTROLS
AND TESTING OF CONTROLS
NATIONAL CAPITAL REGION
REPORT NUMBER A050009/T/W/Z05013

MAY 18, 2005



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

DATE: May 18, 2005

REPLY TO
ATTN OF: National Capital Region Field Audit Office (JA-W)

SUBJECT: Review of Federal Technology Service's Client Support Center
Controls and Testing of Controls - National Capital Region
Report Number A050009/TW/Z05013

TO: Donald C. Williams
Regional Administrator (WA)

Barbara L. Shelton
Acting Commissioner, Federal Technology Service (T)

This report presents the results of the Office of Inspector General's audit of the Federal Technology Service (FTS) Client Support Center (CSC) in the National Capital Region. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375) directed the Inspectors General of the General Services Administration (GSA OIG) and the Department of Defense (DOD OIG) to jointly perform a review of each FTS CSC and determine whether each CSC is compliant, not compliant, or not compliant but making significant progress with Defense procurement requirements.

Objectives, Scope and Methodology

To review the adequacy of policies, procedures, and internal controls in each CSC, we analyzed a random sample of procurement actions executed between August 1, 2004 and October 31, 2004. We also analyzed a judgmental sample of existing orders and the steps taken to remediate any past problems in these existing orders through February 2005. For the National Capital Region CSC, our sample included 12 new awards and 3 existing orders, valued at \$26,032,174 and \$91,627,975 respectively. The audit was conducted between October 2004 and March 2005, in accordance with generally accepted Government auditing standards.

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Results of Audit

We determined the National Capital Region CSC to be not compliant but making progress and considered close to compliant. The Region has implemented national controls identified in the Administrator's "Get it Right" Initiative, and has improved its overall contracting practices, compared with our past audit findings. For example, we found no instances of improper use of the IT Fund, work being performed outside the scope of the base contract, or unjustified extensions of periods of performance. We found no instances of non-compliance with the competition requirements of Section 803 of the National Defense Authorization Act for Fiscal Year 2002. However, as directed in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, because of the two deficiencies discussed below, the CSC is not fully compliant, and we will be required to perform a subsequent audit of CSC contracting practices by March 2006 to determine whether the CSC has become compliant.

New Procurement Order Compliance Deficiency. We identified one task order that was issued without a not to exceed price limitation as required by Federal Acquisition Regulation 16.601(c) for time & material contracts. This order with a value of \$412,794 was issued to design, develop, and implement a database system on a time & materials basis.

Existing Order Procurement Deficiency. We identified one task order with an incomplete remediation strategy. The task order encompassed the requirements definition, implementation and production (phases I, II and III respectively) of a medical bill processing system, with operations to be accomplished under a series of one-year options likely to exceed 95 percent of the total task order value. The initial solicitation required a fully priced proposal for phases I and II, but simply a unit price rate for phase III. The documented price analysis did not include the production phase; it covered only the development and implementation phases. There was no evidence that the cost of production was considered as an award factor. Subsequently, the vendor has submitted a new proposal dated 12/17/04 to cover current fiscal year operations already in process. As of the end of audit fieldwork, price analysis of the new proposal remained outstanding, and a viable acquisition plan for the remaining out years has yet to emerge.

Conclusion

While not fully compliant, we found that the National Capital Region CSC has made significant progress and is considered close to compliant in implementing controls to ensure compliance with procurement regulations. The CSC has implemented national controls identified in the Administrator's "Get It Right" Initiative and improved its overall contracting practices. However, we did find a procurement compliance deficiency in one new order, and an incomplete remediation strategy for an existing order that did not address pricing concerns.

As stated in our January 2004 report on the FTS CSCs, we believe that steps to remedy the CSC procurement problems require a comprehensive, broad-based strategy that focuses on the structure, operations and mission of FTS as well as the control environment. Based on the comprehensive recommendations contained in that report, no further overall recommendations are deemed necessary at this time.

Management Comments

We obtained agency comments throughout our audit work, providing a draft written summary of our findings on each order to FTS regional officials for their written comments, which we incorporated into our analysis as appropriate. We also provided a draft of this letter report to Regional officials. In his May 10, 2005 response, Attachment A, the Regional Administrator stated that they "are committed to the GSA 'Get It Right' initiatives and are implementing appropriate actions to address these deficiencies."

Internal Controls

We assessed the internal controls relevant to the CSC's procurements to assure that the procurements were made in accordance with the FAR and the terms and conditions of the contracts utilized. While we have seen substantial improvements in internal controls, FTS will need to continue their commitment to the "Get It Right" initiatives and to implementation of effective controls over procurement processes to ensure full compliance by March 2006.

To help us improve our customer service, please ask the primary user of the report to complete the attached customer satisfaction survey and return it in the enclosed envelope to the Office of Audits' Operations Staff (JAO).



Keith A. Amacher
Audit Manager
National Capital Region

Attachments


MANAGEMENT COMMENTS



GSA National Capital Region

May 10, 2005

MEMORANDUM FOR PAUL J. MALATINO
REGIONAL INSPECTOR GENERAL FOR AUDITING
NATIONAL CAPITAL REGION (JA-W)

FROM DONALD C. WILLIAMS 
REGIONAL ADMINISTRATOR
NATIONAL CAPITAL REGION (WA)

SUBJECT: Draft Report: Review of FTS Client Support Center
Controls and Testing of Controls - National Capital Region
Report Number A050009/T/W/Z05###

We would like to thank you and your staff for the thorough and comprehensive research that went into this audit.

As you indicated in your findings, the Federal Technology Service (FTS) was not fully compliant, but has made significant progress and is considered close to compliant in implementing controls to ensure compliance with procurement regulations.

Your audit reported two procurement deficiencies. We are committed to the GSA "Get It Right" initiatives and are implementing appropriate actions to address these deficiencies.

If you have any questions regarding the response, please contact me at (202) 708-9100 or Mr. Craig F. Kennedy, Assistant Regional Administrator at (202) 708-6100.

Attachment

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301 7th Street, SW
Washington, DC 20407-0001
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