



# Department of Veterans Affairs

## Office of Inspector General

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### Evaluation of Hotline Complaint Concerning Office Space Furnished to a Government Contractor at the Austin Automation Center

*Relocating a Government contractor's employees will reduce the risk of inappropriate disclosure of proprietary or other confidential information.*

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# Department of Veterans Affairs

# Memorandum

Date: August 21, 2002

From: Assistant Inspector General for Auditing (52)

Subj: Evaluation of Hotline Complaint Concerning Office Space Furnished to a Government Contractor at the Austin Automation Center

To: Director, Austin Automation Center (200/00)

## 1. SUMMARY

The Office of Inspector General conducted an evaluation at the Department of Veterans Affairs (VA) Austin Automation Center (AAC), Austin, Texas, to determine the validity of an allegation concerning office space furnished to a Government contractor, Northrop Grumman Information Technology (Northrop Grumman). According to the allegation, the Government contractor's employees had office space in the same area with, and used the same office equipment as, VA contracting officials. Due to sharing office space with VA contracting officials, it was alleged that the Government contractors could gain access to proprietary or other confidential information. As a result, shared office space could give the Government contractor an unfair advantage in the bidding process, create the appearance of preferential treatment of the contractor, and make it more difficult for VA contracting officials to safeguard proprietary or other confidential information.

We substantiated the allegation. The office space furnished to the contractor was located in the same area with VA contracting officials, the Government contractor's employees shared the use of office equipment with VA employees, and the contractor's employees could have gained access to proprietary or other confidential information. However, we found no evidence that the Government contractor had gained an unfair advantage in the bidding process, received preferential treatment, or obtained access to proprietary or other confidential information.

We recommended that you relocate the Northrop Grumman employees to reduce the risk of inappropriate disclosure of proprietary or other confidential information handled by VA contracting officials. You agreed with the findings and recommendation and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

## **2. BACKGROUND**

Northrop Grumman and its predecessor, Federal Data Corporation, have provided the AAC substantial assistance in obtaining hardware, software, and subcontracted labor. The most recent contracts were entered into in August 2001. At that time, AAC officials awarded Northrop Grumman a \$650 million contract to be the AAC's Enterprise System Prime Vendor and another contract to provide Operational Support Services at a cost not to exceed \$34,552,479. The contracted performance period is October 1, 2001, through September 30, 2002, with nine 1-year option periods. The Request for Proposal (RFP) for the AAC Enterprise System Prime Vendor contract stated that the winning bidder would be required to provide on-site program management.

## **3. SCOPE AND METHODOLOGY**

To determine the validity of the allegation, we interviewed the complainant, the AAC Director, appropriate members of the AAC staff, and three Northrop Grumman employees. We observed the office space assigned to VA contracting officials and Northrop Grumman employees, examined building floor plans, and reviewed the RFP for the AAC Enterprise System Prime Vendor contract and Northrop Grumman's winning proposal. In addition, we reviewed the confidentiality and non-disclosure statements signed by the three Northrop Grumman employees we interviewed and related AAC policies.

The evaluation was made in accordance with generally accepted Government auditing standards for staff qualifications, independence, and due professional care; field work standards for planning, supervision, and evidence; and reporting standards for performance audits.

## **4. RESULTS OF EVALUATION**

AAC officials assigned 3 Northrop Grumman employees office space in the same area with 12 VA employees who perform contracting duties. Other VA employees who do not perform contracting duties also had office space in the area. The Northrop Grumman employees had unrestricted access to all parts of the area and shared the use of a fax machine, shredder, copier, refrigerator, and six printers with VA employees.

The responsibilities of the Northrop Grumman employees include evaluating subcontractors; acquiring hardware, software, and subcontracted labor; and preparing responses to AAC task orders. Thus, Northrop Grumman employees had the work experience needed to comprehend the RFPs, vendor proposals, and other documents processed by VA contracting officials.

AAC officials assigned the three Northrop Grumman employees office space in the area because it was readily available without requiring construction, in close proximity to the AAC Director's Office, and reasonably close to the Office of the Chief of the Technical Infrastructure Division. The decision was made without asking the Northrop Grumman employees about their preferred locations and without considering the security of data processed by VA contracting officials located in the area.

AAC officials mitigated the risk of disclosure by developing policies and procedures for safeguarding confidential data. Locking file cabinets were provided for VA employees' use. In addition, the Northrop Grumman employees signed certifications that they would not disclose any proprietary or other confidential information gained through performing their work.

Our review did not disclose any instances where proprietary or other confidential information was compromised. However, we concluded that the presence of Northrop Grumman staff in the same area as VA contracting officials placed proprietary or other confidential information at risk. Northrop Grumman staff could have seen confidential documents left on printers, copiers, fax machines, or VA employees' desks. Also, the configuration of the area, which has numerous partitions, could have allowed the Northrop Grumman employees to overhear confidential discussions among VA employees without the VA employees' knowledge.

## **5. RECOMMENDATION**

We recommended that you relocate the Northrop Grumman employees to reduce the risk of inappropriate disclosure of proprietary or other confidential information handled by VA contracting officials.

## **6. AUSTIN AUTOMATION CENTER DIRECTOR COMMENTS**

You concurred with the recommendation and initiated action to relocate the Northrop Grumman employees to another area of the AAC. In addition, you instructed your staff to provide additional training to contracting officials concerning safeguarding of sensitive information, reestablish a secure bid room, and request funding to create access-controlled space for AAC contracting officials. The complete text of your response is provided in the Appendix.

## 7. OFFICE OF INSPECTOR GENERAL COMMENTS

You agreed with the findings and recommendation and provided acceptable implementation plans. We will follow up on the planned actions until they are completed.

For the Assistant Inspector General for Auditing

*(original signed by Lee R. Bailey for:)*

MICHAEL E. GUIER

Director, Dallas Audit Operations Division (52DA)

cc: Executive Secretariat (001B)  
Assistant Secretary for Information and Technology (005)  
Director, Management and Financial Reports Service (047GB2)

**This report will be available in the near future on the VA Office of Audit web site at <http://www.va.gov/oig/52/reports/mainlist.htm>.: *List of Available Reports.***

**This report will remain on the OIG web site for 2 fiscal years after it is issued.**

## Austin Automation Center Director Comments

August 16, 2002

(200/00/00E)

Assistant Inspector General for Auditing (52)  
Department of Veterans Affairs  
810 Vermont Avenue, NW  
Washington, DC 20420

SUBJ: Draft Report, Evaluation of hotline complaint concerning office space furnished to a government contractor (your memo dtd 7-8-02)

1. I have reviewed the draft report of your evaluation of the validity of an allegation concerning office space furnished to a government contractor's employees. I concur with your recommendation.
2. It is true that various contractor employees at the Department of Veterans Affairs (VA) Austin Automation Center (AAC) shared the same office space with VA employees, including VA contracting officials. It is also true that there is some degree of risk of contractor employees gaining unauthorized access to proprietary or other confidential information; however, I feel that we have mitigated that risk throughout the AAC. Relevant mitigating safeguards we have implemented include: conducting background investigations and security suitability determinations to assure an appropriate level of trust is warranted, providing locking storage cabinets for sensitive documents, having contractor employees sign non-disclosure agreements, and conducting awareness training for all government and contractor employees regarding AAC security policies and their individual responsibilities to safeguard sensitive information.
3. Contractor employees physically working at the AAC cannot, within reason, gain unauthorized access to sensitive information in the custody of AAC VA contracting officials unless our VA contracting officials intentionally or negligently disregard established security policies and procedures. Because of their awareness training, their knowledge of their high degree of personal responsibility, and their high level of trust, I do not feel that such a disclosure by AAC VA contracting officials is likely to occur. However, after weighing all of these factors in evaluating the risk, I concur with your finding that the mere presence of Northrup Grumman staff in the same area as VA contracting officials places confidential information at risk, no matter how small.
4. In recognition of this risk, the AAC initiated steps prior to the completion of this draft report to relocate the three Northrop Grumman Information Technology (NGIT) employees addressed in your report to another area of the AAC. Effective July 8, the NGIT employees in question were relocated to a different floor within the building. To further mitigate the risk, I have instructed my staff to take the following additional corrective actions:
  - a. Provide additional awareness-level training to AAC VA contracting officials as to their personal responsibilities for the safeguarding of sensitive information, specifically addressing the

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Assistant Inspector General for Auditing (52)

risk of inadvertent disclosure to contractor employees. The training will include such issues as promptly retrieving sensitive documents from printers, not leaving sensitive documents unattended at copiers, and being aware of personnel in the area when discussing sensitive information with others. This training will be provided by July 31, 2002, and subsequently documented in each VA contracting official's Official Personnel Folder (OPF).

b. Re-establish a secure "bid room" to further protect procurement-sensitive information. The bid room will be re-established by December 31, 2002.

c. Submit a request for additional construction funds to create a physically segregated, access-controlled office space for AAC VA contracting officials. As the approval of construction funds is not within our control and often takes years to obtain, I am not able to provide a target completion date at this time.

5. I appreciate your efforts, and the efforts of your staff in Austin, in working with us to resolve this hotline complaint. If you have any additional questions or comments about my response, please contact me at 512-326-6000; or have a member of your staff call Samuel Georgeson, Associate Director for IRM Services, at 512-326-6001.

*/S/ Linda L. Voges*  
LINDA L. VOGES  
Director

cc:  
Assistant Secretary for Information and Technology (005)