

REVIEW OF
FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER CONTROLS
AND TESTING OF CONTROLS
GREAT LAKES REGION
REPORT NUMBER A050009/T/5/Z05023

MAY 18, 2005



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

DATE: May 18, 2005

REPLY TO
ATTN OF: Great Lakes Region Field Audit Office (JA-5)

SUBJECT: Review of Federal Technology Service's Client Support Center
Controls and Testing of Controls – Great Lakes Region
Report Number A050009/T/5/Z05023

TO: James C. Handley
Regional Administrator (5A)

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 Great Lakes Region (Region 5). 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 and the Department of Defense 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. For the Great Lakes Region, our sample included ten new awards and three existing orders, valued at \$6.1 million and \$75.8 million, respectively. The audit was conducted between November 2004 and March 2005, in accordance with generally accepted Government auditing standards.

Results of Audit

We determined the Region 5 CSC to be not compliant but making significant progress. The Region has implemented national controls identified in the Administrator's "Get it Right" Plan, and has improved its overall contracting practices, compared with our past audit findings. For example, 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, we found two new orders that had procurement

230 South Dearborn Street, Suite 408, Chicago, IL 60604

Federal Recycling Program



Printed on Recycled Paper

compliance deficiencies, including one with potential financial impact. In our review of existing orders, we found that one order with prior deficiencies did not have adequate remediation. In addition, this order had been inappropriately modified without price justification to add work beyond the original scope. As directed in the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, because the CSC is not fully compliant, we are required to perform a subsequent audit of CSC contracting practices by March 2006, to determine whether the CSC has become compliant.

Procurement Compliance Deficiency with Potential Financial Impact. We identified a \$54,965 schedule order for analytical support that was awarded without a best value determination or support for billings analysis as required by Federal Acquisition Regulation (FAR) 8.404. The statement of work required the contractor to provide technical and economic analysis and technical expertise for the client agency. The Project Manager for this task estimated the labor rates based on historical knowledge; however, no independent government estimate or pricing analysis was prepared for this order.

Other Procurement Compliance Deficiencies. We identified one order that had a procurement compliance deficiency with no potential financial impact. The \$695,400 order for assistance to implement a new web-based Commercial Asset Viability System had no quality assurance surveillance plan (QASP) as of the date of award. In accordance with FAR 46.401, a QASP should be prepared in conjunction with the statement of work and incorporated into the task order file to assure that the Government receives the services that are paid for. The CSC subsequently added the QASP to the file at the kickoff meeting with the client.

Inadequate Remediation. As part of our review of current modifications to existing orders, we reviewed an \$11.2 million order awarded in September 2002, to support the development and maintenance of planning documents in support of client transformation initiatives. Our review of this order identified numerous deficiencies, including an unjustified sole source award, inadequate best value determination, no additional discount requested, or received (although the order was over the maximum order threshold) and, inappropriate use of the IT Fund. The CSC had performed no remediation on this task order as of the date of our review.

Existing Order Procurement Deficiency. We identified an inappropriate \$4.1 million modification to the existing \$11.2 million schedule order noted above. The additional work under the modification was not within the original scope of work, and the CSC did not perform any pricing analysis.

Conclusion

While not fully compliant, we found that the Great Lakes Region CSC has made significant progress in implementing controls to ensure compliance with procurement regulations.

The CSC has implemented national controls identified in the Administrator's "Get It Right" Plan and improved its overall contracting practices. 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, we did find procurement compliance deficiencies in two new orders, including one with potential financial impact, and one existing order that was improperly modified to include work beyond the original scope.

As stated in our January 2004 report on the FTS CSCs (Report Number A020144/T/5/Z04002), 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.

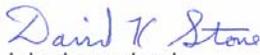
Management Comments

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. On April 26, 2005, the Great Lakes Regional Administrator responded to this report, taking no exception to the report as prepared. Management's response is included in its entirety as Attachment 1 to this report.

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" Plan and to implementation of effective controls over procurement processes to ensure full compliance by March 2006.

If you have any questions regarding the report, please contact David Stone or me at (312) 353-7781, extensions 110 or 113, respectively.

For 
John Langeland
Audit Manager
Great Lakes Field Audit Office (JA-5)

Attachments

MANAGEMENT COMMENTS



GSA Great Lakes Region

May 2, 2005

MEMORANDUM FOR DAVID K. STONE
REGIONAL INSPECTOR GENERAL FOR AUDITING
GREAT LAKES REGION – JA-5

FROM:

for JAMES C. HANDLEY 
REGIONAL ADMINISTRATOR
GREAT LAKES REGION – 5A

SUBJECT:

Response to Draft Report
Review of FTS Client Support Center,
Region 5 (Audit No. A050009)

Thank you for the opportunity to review the subject report.

The Regional Office has no comments, beyond those provided to your office by Regional FTS personnel during the development of this report, to make regarding this document.

Please contact me with any questions regarding this matter.

cc: T / 5T / 5L



U.S. General Services Administration
230 South Dearborn Street
Chicago, IL 60604-1696
www.gsa.gov

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER CONTROLS AND TESTING OF CONTROLS
GREAT LAKES REGION
REPORT NUMBER A050009/T/5/Z05023

REPORT DISTRIBUTION

	<u>Copies</u>
Acting Commissioner, Federal Technology Service (T)	3
Regional Administrator (5A)	3
Assistant Inspector General for Auditing (JA & JAO)	2
Assistant Regional Inspector General for Investigations (JI-5)	1