

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
CONTROLS AND TESTING OF CONTROLS
ROCKY MOUNTAIN REGION
REPORT NUMBER A050009/T/6/Z05017

MAY 18, 2005

DATE: May 18, 2005

REPLY TO

ATTN OF: Heartland Region Field Audit Office (JA-6)

SUBJECT: Review of Federal Technology Service's Client Support
Center Controls and Testing of Controls – Rocky Mountain Region
Report Number A050009/T/6/Z05017

TO: Larry E. Trujillo, Sr.
Regional Administrator (8A)

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 Rocky Mountain Region (Region 8). 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 through 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 Region 8 CSC, our sample included 12 new awards and 2 existing orders, valued at \$30.8 million and \$109.6 million, respectively. The audit was conducted between October 2004 and March 2005, in accordance with generally accepted Government auditing standards.

Results of Audit

We determined the Region 8 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 results. 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 4 new orders that had procurement compliance deficiencies, including one order with limited potential financial impact. Our review of the two existing orders indicated that both orders had prior deficiencies and the CSC had not yet defined remediation plans. In addition, the CSC modified one existing order during the audit period to include a revised statement of work (SOW) with no explanation. 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 Limited Potential Financial Impact. We identified a \$205,000 schedule order for hardware and software systems support that only had one bid and was awarded without support for best value determination. There was a large difference between the labor hours proposed and those listed on the Independent Government Cost Estimate, and neither FTS nor the client addressed the level of effort in their evaluations of the proposal to establish the reasonableness of the total price for labor.

Other Procurement Compliance Deficiencies. We identified three orders that had procurement compliance deficiencies without potential financial impact.

- A \$252,000 schedule order for installation of audio-visual systems was not evaluated in accordance with the SOW evaluation criteria, which was past performance and cost. File documentation indicates that the evaluation was based on cost, technical approach, and past performance. There is no financial impact because FTS selected the lowest priced proposal.
- A \$1.6 million schedule order for management systems support had option years identified in the SOW and the proposal but were not identified on the GSA Form 300. The GSA Form 300 did not contain detail of option years, period of performance and ceiling amount.
- A \$621,000 schedule order for waste management services and software support did not have a Memorandum of Understanding in the file nor was the ceiling amount identified on the GSA Form 300.

Existing Orders Procurement Deficiencies. Both existing orders had prior deficiencies; however, the CSC did not have defined remediation plans. In addition, the CSC modified one of the existing orders to include a revised SOW with no explanation.

- A \$74 million Answer contract order for enterprise network and telecommunications requirements and programs support had prior procurement deficiencies including inadequate best value determination, no justification for use of a time-and-materials

type contract, no ceiling amount, improper execution of contract options, and inadequate contract oversight. During the sample period, the CSC modified this order to revise the SOW. However, FTS was not able to provide adequate support for why the SOW was revised. FTS stated that this order was “dead” effective February 28, 2005, however, FTS did not provide information relative to plans for continuing the work once this task ended (e.g., a plan for re-competition).

- A \$35.3 million Millennia contract order for operational support had prior procurement deficiencies including an inadequate best value determination, improper execution of contract options, and inadequate contract oversight. FTS did not provide supporting documentation indicating adequate remediation progress for this order.

Conclusion

While not fully compliant, we found that the Region 8 CSC has made significant progress in implementing controls to ensure compliance with procurement requirements. The CSC has implemented national controls identified in the Administrator’s “Get It Right” Plan and improved its overall contracting practices. However, we did find procurement compliance deficiencies in 4 new orders, including 1 with limited potential financial impact, and 2 existing orders that did not have defined remediation plans and one existing order had been modified to include a revised SOW with no explanation. 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

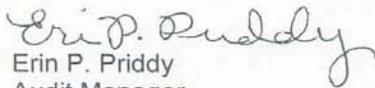
We obtained agency comments throughout our audit work, providing a draft written summary of our findings on each order to FTS regional officials for their written comments, which we incorporated into our analysis as appropriate. We also provided a draft of this letter report to Regional officials. On May 9, 2005, the Rocky Mountain Region 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 Federal Acquisition Regulation 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 Katina Beach or me at (816) 926-7052.


Erin P. Priddy
Audit Manager
Heartland Region

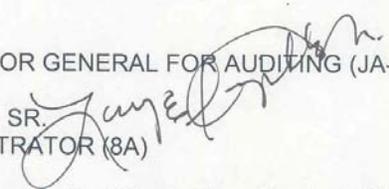
Attachments

MANAGEMENT RESPONSE

U.S. General Services Administration

May 9, 2005

MEMORANDUM FOR AUTHOR L. ELKIN
REGIONAL INSPECTOR GENERAL FOR AUDITING (JA-6)

FROM: LARRY E. TRUJILLO, SR. 
REGIONAL ADMINISTRATOR (8A)

SUBJECT: Draft Report – Review of Federal Technology Service's Client
Support Center Controls and Testing of Controls – Rocky
Mountain Region Report NumberA050009

We have reviewed the subject report and have had discussions with you concerning the report. Please note that we take no exceptions to the report as written. We believe that it is important to note that the interaction with your office has been a very positive one in which the quality of our acquisition and service to our client have greatly benefited. We feel that opportunities lie in the findings of this report for us to focus on critical acquisition functions and achieve even greater levels of quality and compliant acquisitions in support of our client's missions.

We would like to thank you for your report and your constant display of professionalism and cooperation. We believe that this continued relationship will be fruitful to all stakeholders. Please also note that in the spirit of "Get it Right" we have included an action plan which will serve as the basis for our continued acquisition enhancement, effectiveness and efficiency to best serve our Agency Clients and the United States Taxpayers.



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Region 8, FTS
Action Plan
In Response To
Draft Proposed Report of the Office of
Inspector General, report number
A050009
Conducted by
Office of the Chief Acquisition Officer
and the Department of Defense

Paul Ross
Acquisition Director

MANAGEMENT RESPONSE

Response: GSA, RMR FTS has reviewed the OIG's comments in detail and we accept the finding with no exceptions to the reported findings. One noted concern to the findings was a lack of "...supporting documentation indicating adequate remediation progress for this order." Again, while we agree with all of the findings and note that each of the contract actions that have a remediation plan, the remediation may dictate that no further action be taken. For remediation plans that do possess contracting irregularities or issues, the respective remediation plans may dictate that no further action on a task order be taken on those that have ended (also referred to as "dead"). If that is the case and the task order is "dead" the next action that a contracting officer may take and evidence of such should be in the file is to move forward conveying this message to the client, contractor and work towards close out.

We also agree with the findings from the report on progress, for example the comments in the Internal Control portion of the report:

We assessed the internal controls relevant to the CSC's procurements to assure that the procurements were made in accordance with the Federal Acquisition Regulation and the terms and conditions of the contracts utilized. While we have seen substantial improvements 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.

We, GSA, RMR FTS looks forward to really getting it right and continues to provide best practices to our process that will support this effort. In particular, we have most recently conducted a preaward training session (subjects include sample documents, forms, letters and discussion on the changes on funding by the Funds Manager) updated the tab cover pages to the contract file and we will continue to update the tabs to include to obtain required documentation and indicate where it should be added to the contract file.

We are planning to add to the training schedule post award, in particular, contract administration and have the contracting officer play a more active role in the entire process. In addition, we have six (6) contracting officers (one contracting officer on loan from PBS for an extended time and an additional contract specialist without a warrant at this time) with an addition contracting officer receiving a warrant within a few days. Our current total of FTE contract specialist is 8. We also will be adding to the contracting officer/contract specialist numbers through announcement that are in the working and we have 3 temporary contract specialist from FedSource, 6 contract specialist from a one year contract with options. This brings our total of contract specialist, including contracted support, to 17. We report this information in order to show some of the progress and the commitment that management has made to "Get It Right".

We are also developing a desk reference/ acquisition guide for all GSA, FTS, Region 8 staff to have available for a reference. This guide will be a working guide and we welcome your review of the guide regardless of where we are in the process. Finally, we welcome the return to GSA, RMR FTS to assist our efforts and your commitment to provide support to the GSA effort to "Get It Right". Your assistance has been most

MANAGEMENT RESPONSE

beneficial in directing corrective actions, progress and providing focus on a variety of actions.

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