



Office of Audits
Office of Inspector General
U.S. General Services Administration

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

Great Lakes Region Network Services Division Invoicing Process Lacks Transparency Report Number A130011/Q/5/P15001 February 27, 2015

Assignment Number A190096
February 7, 2020

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Introduction

We completed an implementation review of the management actions taken in response to the recommendations contained in our February 2015 audit report, *Great Lakes Region Network Services Division Invoicing Process Lacks Transparency*, Report Number A130011/Q/5/P15001.

Objective

The objective of our review was to determine whether the Federal Acquisition Service (FAS) has taken the actions as outlined in the corrective action plan for our audit report, *Great Lakes Region Network Services Division Invoicing Process Lacks Transparency* (see **Appendix A**). To accomplish our objective we:

- Examined documentation submitted by FAS to support the completion of the corrective action plan steps;
- Used random sampling to perform limited testing of the corrective actions outlined in FAS's corrective action plan; and
- Interviewed FAS officials responsible for oversight and administration of the telecommunications services contracts.

Background

Through its regional Network Services Division offices, FAS assists customer agencies in obtaining comprehensive telecommunications services at the lowest aggregate prices. The Network Services Division is responsible for assisting customer agencies in defining requirements, identifying solutions, ordering services, and managing telecommunications services including billing operations.

On February 27, 2015, we issued an audit report, *Great Lakes Region Network Services Division Invoicing Process Lacks Transparency* to FAS. The objectives of the audit were to determine whether: (1) the Network Services Division was effectively managing its workload to ensure that telecommunications services contracts in the Great Lakes Region were administered efficiently and timely and if not, determine the impact and recommend corrective action; and (2) customers were billed at agreed-upon telecommunications services contract rates.

Our audit found that Network Services Division invoices lacked transparency, which limited customers' ability to identify all fees being charged. To address the finding identified in our report, we recommended that the Great Lakes Region FAS Regional Commissioner:

1. Require the Network Services Division establish formal agreements with customer agencies that set terms and conditions, and disclose all pricing components, including the contract rates that GSA pays to vendors.

2. Implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices.

The FAS Regional Commissioner agreed with our report recommendations.

Results

Our implementation review determined that FAS did not fully implement corrective actions for either of our recommendations. While FAS realigned the Network Services Division to a national reporting function, FAS did not implement its corrective actions to:

- Develop nationwide policy for the new organization, develop standardized fees for all customers, and disclose the fees to all customers with the aim of entering into formal Interagency Agreements; and
- Implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices.

Finding 1 – FAS did not establish formal agreements with customer agencies disclosing all pricing components.

Our original audit found that FAS did not establish formal agreements with customer agencies that set terms and conditions, including all pricing components, such as vendor rates and GSA fees. We recommended that FAS establish formal agreements that disclose this information. Without formal agreements that specify base and fee rates and set binding prices, customers were unable to verify the accuracy of invoiced rates.

To address this finding, FAS's corrective action plan included a step to realign the organization to a national reporting structure, which it completed in July 2016 when FAS reorganized the Network Services Division into the centralized Office of Telecommunications Services. In the same step, FAS planned to fully disclose its standardized fees to all customer agencies with the aim of entering into formal interagency agreements. To demonstrate completion of this action, FAS stated that it would provide a policy for interagency agreements.

However, we found that FAS did not implement its policy for interagency agreements as outlined in its corrective action plan. Additionally, we reviewed agreements for a random sample of 20 customer agencies that purchased telecommunications services from FAS during Fiscal Year 2019 and found that none of the agreements included GSA fees. Therefore, FAS has not addressed the deficiency outlined in our audit report—customers remain unable to assess their telecommunication costs and separate costs from fees.

FAS must submit a revised corrective action plan to address this recommendation and ensure that it establishes formal agreements with customer agencies that clearly establish terms and conditions including pricing components.

Finding 2 – FAS did not clearly itemize customer invoices to disclose administrative surcharges and service-related costs.

Our original audit found that FAS’s monthly invoices to customer agencies did not disclose administrative surcharges and service-related costs. Disclosing this information would allow customer agencies to fully evaluate their telecommunication costs and services rendered.

In its corrective action plan, FAS stated it would implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices. FAS did not provide documentation of this policy.

We reviewed the most recent invoices for 20 randomly selected customer agencies. Though some invoices had the amounts for services and surcharges separated, none of the invoices identified the amount as an administrative surcharge.

GSA’s corrective action plan stated that invoices would be itemized by March 2016. We asked FAS officials why the corrective action was not implemented. They stated that the plan was to replace the current invoicing system with a new one, but the new system is not yet in place. They also stated the current invoicing system would be replaced soon; however, GSA’s time frame for the new invoicing system is not until May 2023.

Without itemized invoices, customers are unable to ensure their invoices are correct and evaluate their complete telecommunication costs. Therefore, FAS must submit a revised corrective action plan to address this recommendation.

Conclusion

Our implementation review determined that FAS did not fully implement corrective actions for either of our recommendations. While FAS realigned the Network Service Division to a national reporting function, FAS did not implement its corrective actions to:

- Develop nationwide policy for the new organization, develop standardized fees for all customers, and disclose the fees to all customers with the aim of entering into formal Interagency Agreements; and
- Implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices.

FAS's failure to implement corrective actions has resulted in a lack of transparency with customer agencies regarding telecommunications pricing.

As a result, a revised corrective action plan addressing the following recommendations must be submitted by March 9, 2020 to this office and the Audit Management Division (H1EB):

- Require the Network Services Division to establish formal agreements with customer agencies that set terms and conditions, and disclose all pricing components, including the contract rates that GSA pays to vendors.
- Implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices.

Audit Team

This review was managed out of the Great Lakes Region Audit Office and conducted by the individuals listed below:

Adam Gooch	Regional Inspector General for Auditing
Eugenia Ostrozhansky	Audit Manager
Terri Hoshell	Auditor-In-Charge
Mikhail Kostikov	Auditor

Appendix A – Corrective Action Plan for Report Number A130011/Q/5/P15001

ACTION PLAN

Designated Responding Official: Kim Brown, Regional Commissioner, Federal Acquisition Services (FAS), Great Lakes Region, Region-5

Contact Person [REDACTED]

Contract Person Telephone Number [REDACTED]

Date Plan Prepared: 04/02/2015

Audit Report Number/Title	Recommendation/ Number	Proposed Recommendation/ Completion Date: FY16
Report Number A130011/Q/5/P15001	1	Comply with recommendation.
	2	Comply with recommendation.
<p>Recommendation No. 1) Network Services Division establish formal agreements with customer agencies that set terms and conditions, and disclose all pricing components, including the contract rates that GSA pays to vendors.</p>		
ACTION TO BE TAKEN STEP BY STEP:	SUPPORTING DOCUMENTATION TO BE PROVIDED:	DOCUMENTATION WILL BE SENT BY LAST DAY OF:
<p>1. Move to the Federal Acquisition Service, Integrated Technology Services (ITS), Network Services Program (NSP) NS2020 Strategy. ITS, NSP is in the process of re-aligning and integrating the Network Services Program and R5 Network Services Division (NSD) will be re-aligned to a national reporting function and no longer reporting to R5. ITS will develop nationwide policy for the new organization, following the realignment. The NSP will consolidate P&Ls and there will be standardized rates and fees for all customers. The standardized fee will be fully disclosed to all customer agencies with the aim of entering into formal Interagency Agreements.</p>	<p>1. Copy of the GSA Order realigning the organization.</p> <p>2. Copy of policy for IA's.</p>	<p>March 2016</p> <p>March 2016</p>

**Appendix A – Corrective Action Plan for Report Number
A130011/Q/5/P15001 (cont.)**

ACTION PLAN

<p>Recommendation No. 2) Implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices.</p>		
<p>ACTION TO BE TAKEN STEP BY STEP:</p>	<p>SUPPORTING DOCUMENTATION TO BE PROVIDED:</p>	<p>DOCUMENTATION WILL BE SENT BY LAST DAY OF:</p>
<p>1. As part of the re-alignment, ITS will implement a policy that requires full disclosure of all administrative surcharges and service-related costs by clearly itemizing customer invoices.</p>	<p>1. Copy of policy for full disclosure and itemization.</p>	<p>March 2016</p>

Appendix B – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (Q)

Deputy Commissioner (Q1)

Chief of Staff (Q0A)

Assistant Commissioner, Office of Information Technology Category (QT)

Deputy Assistant Commissioner for Category Management, Office of Information Technology Category (QT)

Director, Office of Information Technology Category (QT)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)