

COMPENDIUM OF AUDITS OF
FEDERAL TECHNOLOGY SERVICE
CLIENT SUPPORT CENTER CONTROLS


SEPTEMBER 29, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: September 29, 2006

Reply To: 
Attn Of: Andrew Patchan, Jr.
Acting Assistant Inspector General for Auditing (JA)

Subject: Compendium of Audits of Federal Technology Service
Client Support Center Controls

To: Lurita Doan
Administrator (A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

This letter transmits our Compendium of audits testing the internal controls over procurement transactions processed by the Federal Technology Service's (FTS's) Client Support Centers (CSCs). This body of work was directed by Section 802(a) of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375). This provision required the Inspectors General of the General Services Administration (GSA) and the Department of Defense (DoD) to review each CSC and determine in writing whether the CSC is compliant, or is not compliant, with defense procurement requirements. The results of our review were provided to the Committees on Armed Services of the United States Senate and House of Representatives.

Overall, we found the CSCs' contracting practices have improved considerably compared to our past audits. While we did find some minor procurement compliance deficiencies in several of the regional CSCs, they were isolated cases, were not pervasive, and did not indicate a pattern of non-compliance. We determined, overall, that the 11 regional CSCs that were previously identified in our initial series of audits issued on June 14, 2005 as "not compliant with procurement regulations but making significant progress toward becoming compliant" are now compliant with procurement regulations. We recognize that, at the time of our review, GSA and DoD components lacked a clear understanding of DoD's guidelines on: (1) the proper use of funds across fiscal years; and (2) the format for interagency agreements, and there was no clear official position between the two agencies. However, we determined that the CSCs generally met the relevant regulations contained in the Federal Acquisition Regulations and provided in GSA guidance. We note that the GSA Chief Acquisition Officer, officials from the Federal Acquisition Service, and DoD procurement officials are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

We appreciate the courtesies and assistance provided by your staff during these audits. We will be pleased to answer any questions or discuss with you in more detail any aspect of the Compendium report.

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COMPENDIUM OF AUDITS OF
FEDERAL TECHNOLOGY SERVICE
CLIENT SUPPORT CENTER CONTROLS

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COMPENDIUM OF AUDITS OF FEDERAL TECHNOLOGY SERVICE CLIENT SUPPORT CENTER CONTROLS

INTRODUCTION

This Compendium relates our results of the follow-on series of audits performed by the U.S. General Services Administration (GSA) Office of Inspector General (OIG) at the Federal Technology Service's (FTS) Regional Client Support Centers (CSC) nationwide. These control reviews were conducted in response to Section 802(a) of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375), requiring the Inspectors General of the General Services Administration and the Department of Defense (DoD) to review each CSC and determine in writing whether the CSC is compliant, or is not compliant, with defense procurement requirements. We provided the results of our review to the Committees on Armed Services of the United States Senate and House of Representatives; Acting GSA Administrator; and Acting Commissioner, FTS. We issued written reports on the outcome of each individual CSC to the Acting Commissioner, FTS and the respective Regional Administrators. This Compendium presents the GSA OIG combined results for all CSCs. (The Department of Defense Inspector General will issue a separate report on its review of specific Defense procurements with FTS and related financial issues).

SUMMARY RESULTS

The CSCs have implemented the national controls identified in the previous Administrator's "Get It Right" Plan, and overall contracting practices have improved considerably compared to our past audits. While we did find some minor procurement compliance deficiencies in several of the regional CSCs, they were isolated cases, were not pervasive, and did not indicate a pattern of non-compliance. We determined, overall, that the 11 regional CSCs that were previously identified in our initial series¹ of GSA OIG audits as "not compliant with procurement regulations but making significant progress toward becoming compliant" are now compliant with procurement regulations. We recognize that, at the time of our review, GSA and DoD components lacked a clear understanding of DoD's guidelines on: (1) the proper use of funds across fiscal years; and (2) the format for interagency agreements, and there was no clear official position between the two agencies. However, we determined that the CSCs generally met the relevant regulations contained in the Federal Acquisition Regulation (FAR) and provided in GSA guidance. We note that the GSA Chief Acquisition Officer, officials from the Federal Acquisition Service (FAS), and DoD procurement officials are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

Analysis of Proper Use of Funds Across Fiscal Years

DoD components issue reimbursable Military Interdepartmental Purchase Requests (MIPR) to GSA to request procurement of services and goods and to transfer funds to

¹ "Compendium of Audits of Federal Technology Service Client Support Center Controls," dated June 14, 2005.

GSA for these assisted acquisitions. The DoD component records an obligation in its accounting system when GSA accepts the MIPR (usually within a few days after DoD sends the MIPR). In the majority of cases, these acquisitions are funded with operation and maintenance (O&M) appropriations, which are generally available for obligation for one (fiscal) year before expiring (no longer available for obligation).

The CSCs followed guidance provided by the FTS Commissioner, GSA Chief Acquisition Officer, and GSA Chief Financial Officer. This guidance specified that funds transferred from a client agency within the fiscal year of the funds can be used to award contracts in the following fiscal year as long as the: (i) funds were properly obligated by DoD and accepted by GSA within the fiscal year of the funds, (ii) there was a bona fide need, and (iii) the contract was awarded within a reasonable period of time, such as 90 days. We analyzed the CSCs' compliance with the relevant guidance and determined that the CSCs followed the applicable guidelines. We understand that the GSA and DoD officials are working to provide clear direction on the appropriate use of funds across fiscal years.

Analysis of Interagency Agreements

Federal agencies request assistance, such as acquisition services, from other agencies, including GSA, through interagency agreements, which may include Memoranda of Understanding (MOU) or Memoranda of Agreement (MOA). Each interagency agreement documents the formal request and acceptance of the agency and provides requisite information governing the interagency contracting, including: (i) a description of the requesting agency's specific need and that it is a "bona fide" need of the Requiring Agency, and (ii) delivery requirements and financial arrangements, including funds citation and payment provisions.

To evaluate the CSCs' compliance, we applied the guidance provided by GSA management and considered the requirements discussed above as being met as long as the information was provided on one or more documents within the contract file. While we determined that the CSCs observed the applicable GSA guidance, we also recognize that there may be additional elements required by DoD for its employees in developing interagency agreements.

Analysis of Quality Assurance Plans

The FAR requires that contract quality assurance shall be performed at such times and as may be necessary to determine that the supplies or services meet contract requirements. The type and extent of contract quality requirements needed is dependent on the particular acquisition, may include various measures including inspection, acceptance, and warranty, and are incorporated in a quality assurance plan. We examined CSC procurements to determine whether quality assurance was being performed in compliance with the FAR and GSA guidance, and identified quality assurance plans as compliant whether embedded in the Performance Work Statements or as stand-alone documents in the contract files. While we determined that there is appropriate quality assurance for CSC procurements, we recognize that there may be additional DoD requirements for DoD employees in developing quality assurance plans.

Scope and Methodology

In order to assess the CSCs' compliance with procurement requirements since the prior (March 2005) assessment and the CSCs' implementation of additional management controls, the GSA OIG audit scope encompassed procurement activities between May and October 2005, subsequent to the GSA May 5, 2005 guidance that provided further clarification and direction to CSC contracting staff. Our scope did not include procurements prior to this period because that would not reflect the impact of management improvement actions taken since our March 2005 review and thus would not provide a clear picture as to whether contracting practices have improved since then.

Our review of each CSC was based on random samples of task orders to determine if the CSC was generally compliant. Random samples, as opposed to judgmental samples, tend to provide a more accurate picture in terms of whether procurement actions across the universe were compliant. We included multiple task order awards selected from two stratified random samples of new task orders, approximately 15 per region, with emphasis on the high dollar orders. Our samples were supplemented by small judgmental samples of modifications to existing orders, four per CSC. These small samples of existing orders were analyzed to determine whether any new contract modifications during our review period had been awarded that further extended any contracting deficiencies from the original order. However, we did not report on deficiencies in the original orders, which predated our review period.

In our review of task orders to determine the CSC's compliance, we analyzed applicable regulations and GSA guidance and whether each CSC substantively complied. We determined compliance if substantiated by one or multiple relevant documents in the contract files and various formats. We did not focus on assessing DoD officials' conformity with DoD specific guidance.

Our comprehensive assessments of each CSC were summarized in individual oral briefings and written audit reports for each Region. Written summaries of each task order review were provided to regional officials as they were completed. Regional comments, both written and oral, were considered in our final assessments. Regional briefings were also held with the Regional Administrators and Assistant Regional Administrators for the Federal Technology Service. The Acting FTS Commissioner and Acting GSA Administrator at the time were briefed after the first regional meetings. The current FTS Commissioner and GSA Administrator were briefed after the subsequent regional meetings. Written audit reports were issued to the respective Regional Administrators with copies to the present FTS Commissioner. These regional reports, together with management responses, are included in their entirety in Sections I through XI.

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ADMINISTRATOR'S RESPONSE



GSA Administrator

September 27, 2006

MEMORANDUM FOR BRIAN D. MILLER
INSPECTOR GENERAL (J)

FROM: LURITA DOAN
ADMINISTRATOR (A)

A handwritten signature in blue ink, appearing to read "Lurita Doan".

SUBJECT: IG Draft Report on Compendium of Audits of Federal
Technology Service Client Support Center Controls

Thank you for the opportunity to comment on the enclosed IG Draft Report on Compendium of Audits of Federal Technology Service Client Support Center (CSC) Controls. Your report confirms what I have felt all along, "GSA is the Government's expert in acquiring goods and services for the Federal Government." You found and I concur, that GSA's CSCs are compliant with law, regulation and process and that GSA provides best value solutions for our Federal customers and the taxpayer. As in any organization, there is always room for improvement and we appreciate your identifying areas where we, with minor actions, can provide even greater value to our customer agencies.

I am pleased that we have been able to work together to identify ways to achieve greater acquisition excellence on behalf of our customer agencies. I look forward to continuing to work together to improve the value we provide our Federal customers and our shareholders, the American taxpayer.

Attachment

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
Telephone: (202) 501-0800
Fax: (202) 219-1243
www.gsa.gov

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BACKGROUND

The Information Technology (IT) Solutions business line within FTS assists Federal agencies in identifying technology solutions and acquiring, deploying, managing, and using them. It provides a comprehensive range of IT products and assisted services to the Federal IT community on a fully cost-reimbursable basis through contracts with industry partners.

In each of GSA's regions, CSCs issue and manage task and delivery orders against existing contracts, manage projects, and maintain a staff of IT managers and project managers. They rely on a variety of contract vehicles to engage private sector services to satisfy client agency requirements, including FTS contracts², Federal Supply Service (FSS) Schedules, and Government-wide contracts awarded and managed by the contracting offices of GSA and other agencies.

CSCs perform direct interface with customer agencies to define requirements, identify sources of the needed products or services, prepare task and delivery orders, and manage projects, depending on the level of support that the client requires. They are authorized to maintain their own contracting staffs and to award small contracts (under \$5 million) and blanket purchase agreements for specific clients wherein the client agency pays for all contracting and acquisition costs. The CSCs also have profit and loss responsibility. They assess fees, generally ranging from one to four percent of product or service cost, to client agencies for the services provided.

The level of contracting activity varies among the CSCs, as shown below. Fiscal Year (FY) 2005 revenues ranged from \$122 million in Region 8 to nearly \$1 billion in Region 4.

<u>REVENUE</u>	
<u>REGION</u>	<u>FY 2005</u>
1	\$126,220,000
2	183,841,700
3	330,980,900
4	928,207,200
5	176,782,600
6	266,951,500
7	407,239,000
8	122,298,700
9	574,781,800
10	141,095,700
11	350,692,300
TOTAL	\$3,609,091,400

² FTS provided Solution Development Centers (SDCs) as centers of contracting expertise that the regional CSCs can rely on. As an example, the Small Business SDC provides a suite of competitively awarded contracts set aside for 8(a) program certified small and disadvantaged businesses. (FTS SDCs are now part of the Federal Supply Service.)

Total CSC procurements have generally increased over the last several years: \$3.8 billion in FY 2001, \$4.7 billion in FY 2002, \$5.8 billion in FY 2003, and \$5.4 billion in FY 2004. However, in FY 2005, CSC procurements decreased to \$3.6³ billion. Department of Defense (DoD) customers represent over 82 percent of the business of the CSCs.

Prior CSC Audits

We have performed several audits of FTS CSC contracting practices during the period 2003 through 2005. Our initial audits identified numerous improper task order and contract awards while our later audits identified significant improvement.

January 2004

In our initial January 2004 report⁴ on contracting practices in three regions, we identified a number of inappropriate contracting practices, including improper sole-source awards, misuse of small business contracts, allowing work outside the contract scope, improper order modifications, frequent inappropriate use of time-and-materials task orders, and not enforcing contract provisions. We recommended that FTS: (1) perform a detailed analysis of the factors contributing to the problems identified, including an ineffective system of internal controls; (2) based on this analysis, determine what changes are needed in the structure, operations, and mission of the CSCs; and (3) develop additional performance measures that promote competition and other sound procurement practices.

December 2004

In our December 2004 Compendium⁵ audit report on FTS CSC Contracting Practices, we reported on the results of a nationwide review, requested by the GSA Administrator, to determine the nature and breadth of procurement deficiencies within the multi-billion dollar FTS CSC contracting program. The Chairman of the Senate Finance Committee had requested that we also provide continuing oversight of CSC operations to ensure that deficiencies are appropriately addressed.

Our analysis of 227 task orders awarded in FY 2003 identified numerous improper contracting practices, such as inadequate competition, lack of support for fair and reasonable pricing, improper task order modifications, and unjustified time-and-materials contracts. This review also included a limited analysis of 105 more recent task orders awarded in FY 2004. We generally found some improvement from recently enhanced management controls put in place in the CSCs, although in some regions we found several of the same issues identified in our review of 2003 procurements. Based on the comprehensive recommendations in our January 2004 report, no further overall recommendations were deemed necessary.

³ Excludes procurements of the European Business Unit.

⁴ "Audit of Federal Technology Service's Client Support Centers," Audit Report Number A020144/T/5/Z04002, issued January 8, 2004.

⁵ "Compendium of Audits of the Federal Technology Service Regional Client Support Centers," dated December 14, 2004.

June 2005

In our June 2005 Compendium⁶ audit report on FTS CSC Controls, we reported on the results of our nationwide reviews in response to Section 802(a) of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375). The Act required the Inspectors General of the GSA and DoD to review each CSC and determine in writing whether the CSC is compliant with defense procurement requirements, not compliant, or not compliant but making significant progress toward becoming compliant. We determined 11 of the 12 regional CSCs reviewed to be “not compliant with procurement regulations but making significant progress toward becoming compliant”. None of the CSCs were identified as “not compliant”, and the European CSC was deemed “compliant” in that we identified only minor deficiencies.

Management Initiatives

In response to our previous audit findings and report recommendations, FTS initiated, through a series of policy letters, memoranda, and other guidance, a number of improvement actions:

- Implementation of Section 803 of the National Defense Authorization Act for Fiscal Year 2002 - On March 11, 2003, FTS issued guidance for implementing Section 803, Competition Requirement for Purchase of Services Pursuant to Multiple Award Contracts, of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107). Each procurement in excess of \$100,000 made under a multiple award contract must be on a competitive basis unless a contracting officer of the Department of Defense waives the requirement and justifies the determination in writing.
- Preaward Legal Review of Major FTS Contract Actions - In an October 1, 2003 memorandum, FTS specified certain contractual actions that require legal review, approval, and concurrence to assure compliance with applicable laws, regulations, and policies, including Executive Orders, and that the decisions made are legally sufficient.
- FTS Acquisition Checklists - A series of acquisition checklists, intended to serve as tools to facilitate the conduct of proper acquisitions within FTS, were issued October 6, 2003. The applicable checklists are required to be completed for all FTS acquisitions.
- Client Support Center Management Plan - FTS established a national standard (FTS Action Plan) governing internal controls for task order acquisition activities, including preaward and postaward oversight, training requirements, and management controls, on November 25, 2003. CSCs must establish individual definitive CSC Management Plans for performing self-assessments and developing management and control goals.
- ITS Contract/Project Closeout Guidance - On May 28, 2004, FTS mandated the development and implementation of written contract and project closeout procedures, including assignments of specific responsibilities to specific FTS Associates.

⁶ “Compendium of Audits of Federal Technology Service Client Support Center Controls,” dated June 14, 2005.

- Guidance and Information Concerning Interagency Transactions and Proper Management of Reimbursable Agreements in Revolving Funds – On June 7, 2004, the Commissioner of FTS and the Chief Financial Officer of GSA issued a memorandum with revised procedures covering reimbursable agreements entered into by FTS and other Federal customer agencies and non-Federal organizations within GSA's revolving funds known as the Information Technology Fund and the General Supply Fund.
- Upcoming IG Reviews -Compliance Issues and Other Matters – On May 5, 2005, the Chief Acquisition Officer issued guidance on issues that arose in recent IG reviews, risk management and agency-wide cutoff dates for work to be performed by FTS' Customer Service Centers.
- Compliance with Guidance and Information Concerning Interagency Transactions and Proper Management of Reimbursable Agreements in Revolving Funds, June 7, 2004 – On June 27, 2005, a memorandum for FTS Associates was issued to assure them that the June 7, 2004 Guidance, issued by the Acting Commissioner of FAS and Chief Financial Officer, is correct and in accordance with current law and that they may rely on it with confidence.
- "Get It Right" Plan - In July 2004, the Administrator, in conjunction with DoD's Director of Defense Procurement and Acquisition Policy, launched the "Get It Right" initiative to ensure proper contracting practices, and clients and taxpayers receive the best value. The Plan reaffirmed GSA's deep commitment to ensuring the proper use of GSA contracting vehicles and services. The five objectives of this initiative were: (1) secure the best value for federal agencies and American taxpayers through an efficient and effective acquisition process; (2) make acquisition policies, regulations, and procedures clear and explicit; (3) improve education/training of the federal acquisition workforce; (4) ensure compliance with federal acquisition policies, regulations, and procedures; and (5) communicate with the acquisition community and stakeholders. Specific steps to achieve the "Get It Right" objectives to foster acquisition excellence were established.

Audit Objective

The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Public Law 108-375) mandated this review. Section 802(a) directs the Inspectors General of the U.S. General Services Administration and the U.S. Department of Defense to jointly review the policies, procedures, and internal controls for each CSC, and determine in writing whether each CSC previously identified as "not compliant but making significant progress" is now compliant with defense procurement requirements. Those CSCs determined to be "not compliant" would be prohibited from conducting procurements in excess of \$100,000 for Department of Defense agencies.

Scope

Our review included CSCs in each of the 11 GSA Regions. We sampled CSC contracting actions occurring between May 1, 2005 and October 31, 2005 in two separate phases. Phase 1 included contracting actions performed during the period May 1, 2005 – July 31, 2005, and Phase 2 covered the contracting activity during the period August 1, 2005 –

October 31, 2005. Additional substantive testing was performed in the Southeast Sunbelt Region (Region 4) for the period May through July 2005 based on initial audit results. Supplemental testing was performed in the Northeast and Caribbean Region (Region 2) for the period January through April 2006 due to the indictments for fraudulent activities of former Region 2 CSC officials. We also analyzed various funding deficiencies on contract actions referred by the DoD OIG.

We reviewed new orders, as well as modifications to existing orders, to determine whether the new national internal controls were being successfully integrated into the CSCs' contracting procedures. Though we reviewed both DoD and civilian agency procurements, the vast majority dealt with the DoD. Nationwide, we reviewed a total of 191 awards. The value of these awards, including options, is \$866,163,886:

Orders	No. of Task Orders	Value
New	150	\$ 163,924,805
Existing	46	\$ 702,239,081
Totals	196	\$ 866,163,886

Methodology

Pursuant to the intent of Section 802(a) of the Ronald W. Reagan National Defense Authorization Act For Fiscal Year 2005 to determine whether the CSCs are now compliant with defense procurement requirements, our review concentrated on the CSCs' progress and improvements on significant matters since our prior review and the May 5, 2005 guidance on compliance issues and other matters by the Chief Acquisition Officer. Therefore, only contracting actions occurring since May 2005 were considered in our compliance assessment for each CSC. Our reviews focused on compliance with the substance of significant procurement policies and procedures rather than on the format or types of documentation.

We reviewed two random samples of new orders totaling 141 (86 in Phase 1 and 55 in Phase 2) task orders, with a minimum of 10 in Phase 1 and 5 in Phase 2, to the extent possible, for each of the 11 CSCs⁷. We stratified the random samples (into three Strata) to ensure we reviewed task orders of varying dollar amounts, but weighted our sample with more task orders of higher dollar value, that represent the most financial risk. Therefore, all nine Stratum 3 orders (one from Phase 1 and eight from Phase 2 valued at \$71.2 million) were included in our audit. We selected the strata based on internal control points that FTS has established: competition requirements for service procurements over \$100,000; requests for additional price discounts when FSS Schedule orders exceed the Maximum Order Threshold, typically \$500,000; and legal review required for procurements exceeding \$5 million.

⁷ All new orders for the New England, Mid-Atlantic, Great Lakes, and Rocky Mountain Regions were included as each had fewer than 10 new task orders.

Stratum	\$ Value
1	\$100,000 - \$500,000
2	\$500,001 - \$5,000,000
3	\$5,000,001 and above

For each Phase, we also reviewed a risk-based judgmental sample of at least two existing order modifications per region. A total of 44 orders were selected from the largest task order transactions in each region.

Based on the results of the task orders reviewed in Phase 1 for the Southeast Sunbelt Region, five additional new orders, valued at \$4.1 million, were selected for further analysis to assess the extent of the initial audit observations. Also, a supplemental sample of six procurement actions (four new and two existing orders), valued at \$20.2 million, executed between January and April 2006 in the Northeast and Caribbean Region were reviewed to affirm the effectiveness of management controls subsequent to the April 2006 indictment of former CSC supervisory personnel for fraudulent activities. These previous CSC and Department of the Army officials were indicted in April 2006.

In analyzing these task orders, we used as criteria applicable procurement laws, regulations, and relevant Agency guidance. Our premise was that if management controls were implemented, Agency policies and procedures were observed, and a forthright effort to adhere to the appropriate course of action was being made, the CSC contracting actions would be considered compliant even if there were conflicting interpretations of law or regulations between GSA and DoD components.

Determination of Compliance with Procurement Regulations

In developing criteria for determining whether each CSC was “compliant” or “not compliant”, we considered the significance and magnitude of the procurement deficiencies found in our past audits, as well as the significant management attention and efforts recently initiated to correct past problems. In evaluating deficiencies, we considered the significance and impact as well as the pervasiveness relative to identified deficiencies. Our expectation was measured improvement in the CSCs’ procurement actions. However, we also recognize that problems and errors do occur in the procurement process, but that management’s control processes should operate to minimize the effect of these occasional oversights.

Thus, we considered a CSC to be “compliant” if it demonstrated adequate management controls were in place and proper contracting practices were followed, while only allowing for some minor or administrative deficiencies. This would include an occasional oversight in contracting procedures, providing they did not have a significant financial impact, were not pervasive, and did not indicate a pattern of non-compliance. We identified contracting deficiencies as having potential financial impact when there was evidence that the Government may have paid more than it should have, such as when only 1 bid was received and there was an inadequate Best Value pricing determination, or where the Maximum Order Threshold was exceeded, but discounts were not requested or received.

We considered the potential financial impact as significant if the total value of deficient orders exceeded 10 percent of the total sample contract dollars for the CSC.

We used the following procurement requirements as criteria to determine what deficiencies existed in the samples of task orders for each CSC:

- Section 803 Competition Requirements
- Legal Review
- Interagency Agreement
- Best Value Determination
- Determinations and Findings, and Ceiling Price, for Time & Materials Contracts
- Request for Discounts for Purchases Above Maximum Order Threshold
- Proposal Evaluations
- Acquisition Plan
- Scope of Work
- Quality Assurance Surveillance Plan
- Evaluation of Other Direct Costs
- Proper Use of Funds
- Modifications to Existing Orders

These audits, performed in accordance with generally accepted government auditing standards, were conducted during the period August 2005 through July 2006.

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NEW ENGLAND REGION
REPORT NUMBER A050198/T/1/Z06007

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NEW ENGLAND REGION
REPORT NUMBER A050198/T/1/Z06007

SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date : September 28, 2006

Reply to
Attn of : New England Region Field Audit Office (JA-1)

Subject : Review of Federal Technology Service's Client Support Center, New England Region
Report Number A050198/T/1/Z06007

To: Dennis R. Smith
Regional Administrator (1A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 New England Region (New England CSC). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (Public Law 108-375) directed the Inspectors General of the General Services Administration (GSA) and the Department of Defense (DoD) to jointly perform a review of each FTS CSC and determine whether each CSC is compliant or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the New England CSC that was previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1, and July 31, 2005, and August 1, and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the New England CSC, our samples included 11 new awards and modifications for 4 existing orders, valued at \$15.1 million and \$34.5 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

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Results of Audit

We found the New England CSC compliant with the FAR and Defense procurement requirements. The Region has implemented national controls identified in the previous Administrator's "Get It Right" Plan, and has improved its overall contracting practices, compared with our past audit findings. As there were no reportable issues, the New England CSC is considered compliant and no further audit recommendations are deemed necessary. Though no specific instances were observed for the New England CSC, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

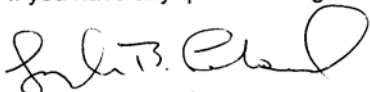
Management Comments

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. Regional officials, in its response to the draft report, agreed with our report conclusions and affirmed their commitment to continuous improvement and constant refresh of the Region's acquisition workforce through education and training. Management's comments are included in their entirety as Attachment 1.

Internal Controls

We assessed the internal controls relevant to the New England CSC procurements to assure that the procurements were made in accordance with the FAR and the terms and conditions of the contracts utilized. The New England CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact me at (617) 565-6800.



Joseph B. Leland
Regional Inspector General for Auditing
New England Region

Attachments

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NEW ENGLAND REGION
REPORT NUMBER A050198/T/1/Z06007

MANAGEMENT COMMENTS



GSA New England Region

March 10, 2006

MEMORANDUM FOR: JOSEPH B. LELAND
REGIONAL INSPECTOR GENERAL FOR AUDITING
NEW ENGLAND REGION (JA-1)

MARTY WAGNER
ACTING COMMISSIONER, FEDERAL TECHNOLOGY
SERVICE (T)

FROM: *John L. Bailey*
DENNIS R. SMITH
REGIONAL ADMINISTRATOR (1A)

SUBJECT: Review of FTS Client Support Center – New England Region
Report Number A050198-2

Once again, we would like to express our appreciation for the support and recommendations for improvement made by the Office of Inspector General over the course of the past audits. The New England Region is delighted with the results and findings that the New England CSC has been found to be compliant with the FAR and the Defense Procurement requirements. Through the combined efforts and team work of the FTS staff, GM&A's Acquisition Executive and our Legal Office, the New England Region has continued to self examine the work being performed to continuously evolve and develop efficient and compliant processes that move us as an organization closer to our goal of being recognized as an organization known for Acquisition Excellence.

The New England CSC is committed to the journey of continuous improvement, standard and repeatable processes and the constant refresh through education and training of our acquisition workforce. We are proud of the accomplishment of the New England FTS Client Support Center.

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NORTHEAST AND CARIBBEAN REGION
REPORT NUMBER A050198/T/2/Z06004

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NORTHEAST AND CARIBBEAN REGION
REPORT NUMBER A050198/T/2/Z06004

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General Services Administration
Office of Inspector General
Jacob K. Javits Federal Building
New York, NY 10278



Date : September 28, 2006

Reply to
Attn of : Northeast and Caribbean Region Field Audit Office (JA-2)

Subject Review of Federal Technology Service's Client Support Center
Northeast and Caribbean Region
Report Number A050198/T/2/Z06004

To: Emily R. Baker
Regional Administrator (2A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 Northeast and Caribbean Region (Northeast and Caribbean CSC). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (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 or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Northeast and Caribbean CSC that was previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1, and July 31, 2005, and August 1, and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Northeast and Caribbean CSC, our audit samples included 15 new awards and modifications for 4 existing orders, valued at \$44.9 million and \$104.7 million, respectively. In addition due to allegations and indictments involving Northeast and Caribbean CSC officials, a supplemental audit sample of procurement actions executed between January 1 and April 30, 2006, consisting of 4 new awards valued at \$12.2 million and 2 existing orders valued at \$8.0 million, was assessed to confirm the effectiveness of CSC management controls. The audit was conducted from August 2005 through January 2006, and May through July 2006 in accordance with generally accepted Government auditing standards.

Results of Audit

We found the Northeast and Caribbean CSC compliant with the FAR and Defense procurement requirements. The Region has implemented national controls identified in the previous Administrator's "Get It Right" Plan, and has improved its overall contracting practices, compared with our past audit findings. As there were no reportable issues, the Northeast and Caribbean CSC is considered compliant and no further audit recommendations are deemed necessary. Though no specific instances were observed for the Northeast and Caribbean CSC, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

Supplemental Sample

On April 27, 2006, the United States Attorney for New Jersey announced a six-count indictment against three individuals, including former CSC and Department of the Army supervisory officials with contracting responsibilities at Fort Monmouth, New Jersey. Due to the nature of the allegations and the individuals' authority over CSC activities, analyses of procurement actions effected subsequent to their departure were warranted in order to affirm the effectiveness of management controls. We performed additional analyses of 6 procurement actions, valued at \$20.2 million, executed between January and April 2006. Our additional analysis identified one new order that had a minor deficiency.

- Task Order 02TT1750034A – FTS issued a \$476,190 task order for an out briefing and after action review system for the United States Air Force. Although the Comprehensive Acquisition Plan indicated that this was a performance-based procurement, the CSC omitted the Quality Assurance Surveillance Plan (QASP) as a requirement in the Request For Proposal issued on December 8, 2005. The contractor transmitted a QASP on June 16, 2006, a week before the scheduled completion of the installation phase of this task order.

This one minor deficiency had no impact on our previous determination that the CSC was compliant with the FAR and Defense procurement requirements. In addition, the QASP requirement was emphasized in a July 17, 2006 Acquisition Excellence Directive on Performance Based Contracting issued by the acting Director of the regional FTS Business Management Division.

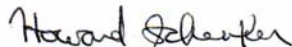
Management Comments

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. The Regional Administrator, in her response to the draft report, stated she was pleased to learn that there are no reportable issues and the Northeast and Caribbean CSC is determined to be compliant with procurement requirements. Management's response is included in its entirety as Attachment 1 to this report.

Internal Controls

We assessed the internal controls relevant to the Northeast and Caribbean CSC 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, the Northeast and Caribbean CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact Mr. Howard R. Schenker at (212) 264-8620.


HOWARD R. SCHENKER
Audit Manager
New York Field Audit Office
Northeast and Caribbean Region

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NORTHEAST AND CARIBBEAN REGION
REPORT NUMBER A050198/T/2/Z06004


REGIONAL ADMINISTRATOR'S RESPONSE



GSA Northeast and Caribbean Region

JUL 28 2006

MEMORANDUM FOR: JOSEPH M. MASTROPIETRO
OFFICE OF THE INSPECTOR GENERAL
NEW YORK FIELD AUDIT OFFICE (JA-2)

FROM: EMILY R. BAKER 
REGIONAL ADMINISTRATOR
NORTHEAST & CARIBBEAN REGION (2A)

SUBJECT: Draft Report - Review of Federal Technology Service's
Client Support Center - Northeast and Caribbean Region
Report Number A050198-3/T/2/

Thank you for the subject draft report on your audit of the Northeast & Caribbean Region FTS (FAS) Client Support Center. Your office analyzed random samples of procurement actions that included a total of 15 new awards and 4 modifications valued at \$149.6 M. A supplemental audit sample was conducted that included 4 new awards and 2 existing orders valued at \$20.2 M.

I am pleased to learn that the Client Support Center was found to be compliant with the Federal Acquisition Regulations and Defense procurement requirements. Further, your draft report indicated, as there were no reportable issues, the Northeast and Caribbean CSC is considered compliant and no further audit recommendations are deemed necessary.

Thank you for the opportunity to review your draft report. Should you wish to discuss this matter further I can be reached at 212-264-2600, or you may contact Jack Wachsstock, Director, Business Management Division, FTS (Acting) at 212-264-1028.



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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
MID-ATLANTIC REGION
REPORT NUMBER A050198/T/3/Z06008

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
MID-ATLANTIC REGION
REPORT NUMBER A050198/T/3/Z06008

SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date : September 28, 2006

Reply to

Attn of : Mid-Atlantic Region Field Audit Office (JA-3)

Subject Review of Federal Technology Service's Client Support Center - Mid-Atlantic Region
Report Number A050198/T/3/Z06008

To: Barbara L. Shelton
Regional Administrator (3A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 Mid-Atlantic Region (Mid-Atlantic CSC). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (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 or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802(a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Mid-Atlantic CSC that was previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1, and July 31, 2005, and August 1, and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Mid-Atlantic CSC, our samples included 14 new awards and modifications to four existing orders, valued at \$78.4 million and \$92.7 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

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Results of Audit

We found the Mid-Atlantic CSC compliant with the FAR and Defense procurement requirements. The Region has implemented national controls identified in the previous Administrator's "Get It Right" Plan, and has improved its overall contracting practices, compared with our past audit findings. While we found the CSC compliant, we did identify two instances of minor deficiencies, but these were isolated cases with limited financial impact.

Minor Deficiencies. We identified one new order and one existing order that had a minor deficiency, but with limited financial impact.

- A \$216,000 task order for secure network design and installation did not contain any documentation evidencing that a determination of the allowability of premium class airfare was conducted, in accordance with FAR 31.205-46, Travel Costs, prior to evaluating these costs for price reasonableness. Of the \$216,000 task order amount, approximately \$16,000 represented proposed airfare for two individuals. The contracting staff evaluated the proposed costs using predominantly business class airfare. Using all economy airfare for the same trip, we estimated the total cost of this airfare for two individuals to range from approximately \$3,300 - \$4,500. This range represents a difference between the proposed airfare and economy airfare of between \$12,700 - \$11,500.

Management's Response

Regional officials stated that their position on FAR 31.205-46 relative to travel on schedule orders differs from the OIG's interpretation. They specify that the stated purpose "is to determine the *allowability* of 'airfare costs in excess of the customary standard, coach or equivalent airfare...'" and the clause simply lists the various conditions that may justify the allowability of business class travel and then states that the 'applicable condition(s) set forth above must be documented and justified.'" It does not, however, say who is responsible for the documentation. Regional officials also state that when referring to the airfare costs being "documented and justified" as to allowability (FAR 31.205-46), this responsibility rests with the contractor and not with the contracting officer. Moreover, they believe that "confusion exists concerning the application of various travel regulations (including FAR Part 31 'Contract Cost Principles and Procedures') to GSA commercial Schedule orders" and believe it is an area that warrants clarification.

OIG Position

FAR 31.205-46(b) states that, "Airfare costs in excess of the lowest customary standard, coach, or equivalent airfare offered during normal business hours are unallowable except when such accommodations require circuitous routing, require travel during unreasonable hours, excessively prolong travel, result in

increased cost that would offset transportation savings.... However, in order for airfare costs in excess of the above standard airfare to be allowable, the applicable condition(s) set forth above must be documented and justified.” We agree that the contractor is responsible for maintaining appropriate cost records and supporting documentation. However, in accordance with FAR 31.201-2(d), when evaluating the supporting data, “the contracting officer may disallow all or part of a claimed cost that is inadequately supported.” The responsibility for determining allowability, therefore, rests with the Government and not with the contractor. Nowhere in the task order file or in conversations with contracting personnel was evidence disclosed indicating that premium class travel was discussed between the CSC and the client agency nor was a final determination of its allowability made.

- A client agency, under a \$15.9 million existing task order providing for records/information management support, was being billed a discounted contractor-site labor rate for work being performed at the client’s Government-site. The task order was initially awarded with the Statement of Work indicating the place of performance would include both sites, but with the understanding that the majority of the work would be performed at the contractor’s location. This would indicate that labor rates for both contractor-site and Government-site should have been awarded under this task order. However, only contractor-site labor rates were included in the task order. This situation has since changed with a shift of many of the contractor personnel from the contractor’s site to the client agency’s site, which would warrant the use of the Government-site labor rate available under the contractor’s schedule contract. This rate is lower than the discounted contractor-site labor rate currently being billed to the client agency. The agency representative indicated that Government-site labor rates were not sought since it needs to maintain the flexibility for contractor personnel to work at either location at any given time. A review of the invoice for work performed during October 2005 showed that the invoiced rates accounted for over \$13,900 in additional monthly labor costs, compared to what would have been billed had Government-site labor rates been used. Per FTS, these additional labor costs could have occurred for approximately the last year. The Information Technology Manager responsible for this task order was not aware of this shift in work locations, indicating a need for increased oversight/site visits by FTS.

Management’s Response

Regional management differs with the OIG’s assessment of the applicability of Government-site labor rates for this task order. The contractor’s Schedule contract *Rate Differentials* clause states that contractor-site hourly labor rates would apply if specific requirements, including provision of office space, were not satisfied. Though some of the contractor personnel have been spending the majority of their time working at the Government site, regional management does not consider shared space at a long counter in the documents room to be “office”

space. Therefore, the Government-site labor rate would not apply, and the task order was appropriately priced.

OIG Position

While the OIG assessment included the contractor's *Rates Differential* clause, we also considered the statement in the Scope of Work, Government Furnished Resources, that, "Office space and a telephone for the CONTRACTOR's use while on site will also be made available by the client." This documentation is indicative of the client's capacity to meet the requirements for use of Government-site labor rates. Also, management's response states that the client agency is providing space as well as computer terminals at the Government site for contractor employees. We are of the opinion that this satisfies the requirements for Government-site rates as specified in the Schedule contract. The task order file indicates that the contractor is performing the contract requirements in a satisfactory manner, further indicating that necessary resources are being provided. Considering the task order documents discussed and the information offered in management's response, that space and equipment are being provided by the client agency and contractor performance is satisfactory, it is our position that Government-site rates are appropriate for work performed at the client agency site and should have been negotiated and awarded as part of the task order contract.

Opportunity for Improvement - Contract File Documentation.

- We identified four instances where we believe FTS can improve the quality of Independent Government Estimates (IGEs) used in the procurement process. Information, such as the name/signature of the preparer and the date prepared, should be included on the document in order to readily determine the estimate was independently prepared. Other information that helps establish the methodology used by the estimator, and explains the thought process and analysis used in the development of the estimate, would also be beneficial/valuable for anyone assuming responsibility for, or reviewing, the procurement.

Conclusion

The Mid-Atlantic CSC has made significant progress in implementing controls to ensure compliance with Defense procurement requirements. The CSC has implemented the national controls identified in the previous Administrator's "Get It Right" Plan and improved its overall contracting practices. We found minor procurement deficiencies in one new order and one existing order, but these were isolated cases with limited financial impact. Therefore, the Mid-Atlantic CSC is considered compliant and no further recommendation is required. Further, though no specific instances were observed for the Mid-Atlantic CSC, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet

DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

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. Management comments provided in response to our Draft Report are detailed after the two minor deficiencies along with the OIG's position. Essentially, management's interpretation of the requirements and circumstances differ from that of the OIG's in each instance. The entire management response is included as Attachment 1.

Internal Controls

We assessed the internal controls relevant to the Mid-Atlantic CSC 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, the Mid-Atlantic CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact Stephen J. Ehinger, or me, at (215) 446-4840.


James M. Corcoran
Audit Manager
Mid-Atlantic Region

Attachments

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
MID-ATLANTIC REGION
REPORT NUMBER A050198/T/3/Z06008
MANAGEMENT COMMENTS



GSA Mid-Atlantic Region

MAR 8 2006

MEMORANDUM FOR GLEN D. MERSKI
REGIONAL INSPECTOR GENERAL FOR AUDITING (JA-3)

FROM: BARBARA L. SHELTON *Barbara Shelton*
REGIONAL ADMINISTRATOR (3A)

SUBJECT: Discussion Draft Report – Review of FTS Client Support
Mid-Atlantic Region
Report Number A050198-4/T/3/xxxxx

We have reviewed the Discussion Draft Report Number A050198-4, and submit the following comments.

Minor Deficiencies

- Business Class Travel

We believe the investigation into travel costs on this task order illustrates that confusion exists concerning the application of various travel regulations (including FAR Part 31 "Contract Cost Principles and Procedures") to GSA commercial Schedule orders. We believe that the OIG should identify this as an area that, in accordance with the second element of the "Get it Right!" campaign ("Make acquisition policies, regulations and procedures clear and explicit."), needs to be clarified.

Our position on how FAR 31.205-46 applies to travel on schedule orders differs from the OIG's interpretation. The stated purpose of FAR 31.205-46 is to determine the *allowability* of "airfare costs in excess of the customary standard, coach or equivalent airfare..." This clause simply lists the various conditions that may justify the allowability of business class travel and then states that "the applicable condition(s) set forth above must be documented and justified." It does not say who is responsible for the documentation.

According to FAR 31.201-2, "Determining Allowability", the "contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation..." Therefore, when FAR 31.205-46 speaks of such airfare costs being "documented and justified" as to allowability they are referring to the contractor not the contracting officer.

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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MID-ATLANTIC REGION
REPORT NUMBER A050198/T/3/Z06008
MANAGEMENT COMMENTS

- Use of Contractor Site Rates Versus Government Site Rates

Our interpretation of the situation on this task order is different than the OIG's and therefore we are offering the following comments. Although some of the contractor personnel have been spending the majority of their time working at the Government site others continue to work at the contractor site. Those working at the Government site do not have "office" space; instead they share space at a long counter in the documents room, share computer terminals dedicated to specific functions, and continue to keep work materials and individual computer resources at their desks in contractor space. It cannot be assumed that the space currently used at the Government site would be appropriate or acceptable to house these individuals if the place of work were switched to Government space.

There is no indication that the OIG was aware of the special schedule clause within Booz Allen's GSA schedule contract concerning Government space rates and contractor space rates (there were no references in the audit report to this clause) and therefore we have provided it to the OIG for your consideration as follows:

c. **Rate Differentials.** The rates included in our Schedule Pricelist for IT Services represent fully loaded hourly labor rates for each skill classification for work performed at Contractor sites and Government sites. Booz Allen will furnish all normal supplies and services required for the work (some may be an additional direct charge to the customer). This includes facilities, supplies, personal computers, business software, and telephones.

1. **Work at Government Site.** Should work be required at the client site, Booz Allen will apply the Government site rates included in our pricelist. These rates assume that

- a) The Government provides all office space, supplies, and equipment; and
- b) Booz Allen employees are 100 percent dedicated and billable to the project for a performance period of not less than 90 days.

If the above conditions cannot be met, the Booz Allen contractor site hourly labor rates included in our Pricelist apply.

2. **Work at Contractor Site.** Work performed at the Contractor's site within the geographical scope of the contract will be provided at the rates contained in the Schedule Pricelist for IT Services.

Based upon the above clause referenced within the Booz Allen GSA schedule contract, we have appropriately priced this task order with contractor site rates for the associated labor categories in accordance with the schedule contract terms and conditions.

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
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REPORT NUMBER A050198/T/3/Z06008

MANAGEMENT COMMENTS

We appreciate the opportunity to provide these comments and look forward to receiving the final report.

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
SOUTHEAST SUNBELT REGION
REPORT NUMBER A050198/T/4/Z06009

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
SOUTHEAST SUNBELT REGION
REPORT NUMBER A050198/T/4/Z06009

SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date : September 28, 2006

Reply to

Attn of : Southeast Sunbelt Region Field Audit Office (JA-4)

Subject: Review of Federal Technology Service's Client Support Center - Southeast Sunbelt Region, Report Number A050198/T/4/Z06009

To : Edwin E. Fielder, Jr.
Regional Administrator (4A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 Southeast Sunbelt Region (Southeast Sunbelt). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (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 or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Southeast Sunbelt CSC that were previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1 and July 31, 2005, and August 1 and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Southeast Sunbelt CSC, our samples included 20 new awards and modifications to 4 existing orders, valued at \$310 million and \$212 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

Results of Audit

We found the Southeast Sunbelt CSC compliant with the FAR and Defense procurement requirements. The CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan, and has improved its overall contracting practices, compared with our past audit findings. However, we did identify two instances of minor deficiencies. These were isolated cases with limited financial

impact. We also identified an opportunity for improvement in contract file documentation.

Inconsistent Mapping of Labor Categories

Task Order number redacted pursuant to FOIA Exemption 4.

Task Order [REDACTED] a \$9.6 million task order for the collection and analysis of recorded operational data from aircraft for use in the improvement of flight operations, included a potential overbilling associated with approximately \$272,090 of the labor costs proposed. Per the file, the vendor's proposal included labor categories for Senior Program Analyst and Senior System Analyst, each at on-site rates of \$69.90. Under the vendor's existing Multiple Award Schedule (MAS) contract, the on-site rate for the Senior Program Analyst is \$69.90 (as proposed) while the Senior System Analyst rate is \$51.73. This represents a difference of approximately \$18 in the Senior System Analyst proposed and contract on-site rates. When the vendor mapped its proposal labor categories to the contract labor categories, it did not use a consistent mapping approach for the Senior System Analyst.

Management Comments

Management differs with this finding. Per management's review, the contractor labor category mapping practice is consistent with current Schedule contract procedures and regulations. The contractor labor categories were negotiated and awarded with broad mapping flexibility based on functions primarily being performed onsite and offsite and consistent with labor rate ceilings. However, management did acknowledge that updated training would be provided to the acquisition workforce on this specific mapping issue.

OIG Position

The OIG acknowledges management's comments and its efforts to preclude future labor mapping inconsistencies with updated acquisition workforce training. Even though the Senior System Analyst may be performing different duties, the appropriate rate for this labor category should be its corresponding MAS contract rate, which is substantially (\$18) less per hour than the rate (\$69.90) actually permitted for this task order.

Funding Authority

Task Order 4TFG57057075, a \$6.7 million task order to maintain proprietary software systems consisting of several data correlation and display suites incorporated into NORAD air defense facilities was awarded on July 1, 2005 and funded with FY 2004 appropriations. The period of performance extended into most of FY 2006. The award of this task order was delayed until the fourth quarter of FY 2005 due to attempts to increase competition and staffing challenges. This acquisition also exceeded the 90-day timeframe for awarding task orders established by the Chief

Acquisition Officer. We note that GSA and DoD components are working to determine appropriate timeframes for proper use of DoD fiscal year funds.

Management Comments

Regional officials stated that a concerted effort was made to process the task order in a timely manner and summarized its continual active progress of this project in its timeline details, beginning with the statement of need (MIPR acceptance on September 3, 2004) and associated Request for Information's release of scope (November 29, 2004) through the contract task order award (July 1, 2005). Management also noted that update training would be provided to the Region's acquisition workforce when new guidelines on the proper use of DoD fiscal year funds are determined.

Opportunity for Improvement – Contract File Documentation

We identified one instance (Task Order 4TWG21051062) where FTS could improve the quality of Independent Government Estimates (IGEs) used in this procurement process. Information, such as the name/signature of the preparer and the date prepared, should be included on the document in order to readily determine the estimate was independently prepared. Other information that helps establish the methodology used by the estimator, and explains the thought process and analysis used in the development of the estimate would also be beneficial/valuable for anyone assuming responsibility for, or reviewing, the procurement.

Management Comments

Management stated that its client provided the initial IGE with signature of certification that it was based on Engineering Expert Opinion for Labor Categories and hours associated for each task, and representative GSA Labor Rates were used as basis of the rates. The client also revised the IGE to better reflect the requirements contained in the Statement of Work, as noted by the Project Manager in the ITSS Integrated System.

Conclusion

The Southeast Sunbelt CSC has made significant progress in implementing controls to ensure compliance with FAR and Defense procurement requirements. The CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan and improved its overall contracting practices. Though a minor procurement deficiency was found in one existing order, it was an isolated case with limited financial impact. The use of prior fiscal year funds, identified in one task order, is being addressed by the GSA and DoD Offices of General Counsel. During the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the

development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting. The Southeast Sunbelt CSC is, thus, considered compliant and no audit recommendations are deemed necessary at this time.

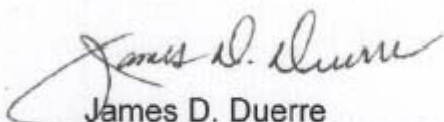
Management Comments

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 report to Regional officials. In his May 7, 2005 response, the Deputy Regional Administrator stated that they remain committed to ensuring that management controls and tests of controls are adequate to provide assurances that procurements are conducted in accordance with the FAR, Defense procurement requirements, policies, and contract terms and conditions. They continue to enhance and use their developed automated workflow process/tool called "e-Approval" to manage the review and approval process of contract and task order actions. In addition, they proactively created online and hardcopy standard operating procedures (SOP) that include standardized templates for several contractually required documents. Supporting clarification in response to our report findings were also provided as part of management's response, included in its entirety as Attachment 1 to this report. These comments are summarized after each finding, along with the OIG's position as appropriate.

Internal Controls

We assessed the internal controls relevant to the Southeast Sunbelt CSC 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, the Southeast Sunbelt CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact Elizabeth Telo at (404) 224-2227 or me at (404) 332-3338.



James D. Duerre
Regional Inspector General for Auditing
Southeast Sunbelt Region

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
SOUTHEAST SUNBELT REGION
REPORT NUMBER A050198/T/4/Z06009
MANAGEMENT RESPONSE




GSA Southeast Sunbelt Region

MAR - 7 2006

MEMORANDUM FOR

JAMES D. DUERRE
REGIONAL INSPECTOR GENERAL FOR AUDITING
SOUTHEAST SUNBELT REGION

FROM:


Jimmy A. Beckwith
DEPUTY REGIONAL ADMINISTRATOR, (4A)
SOUTHEAST SUNBELT REGION

SUBJECT:

Review of FTS' Client Support Center -
Southeast Sunbelt Region, Report Number
A050198-5/X/X/XXXXX

Thank you for the opportunity to review and provide supporting comments on the draft audit report. The results of your audit review affirm that we have successfully implemented national controls identified in the previous Administrator's "Get it Right" Plan, and continue to improve our overall contracting practices.

We remain committed to ensuring that our management controls and tests of controls are adequate to provide assurances that procurements are conducted in accordance with Federal Acquisition Regulations (FAR), Defense procurement requirements, policies, and contract terms and conditions. Accordingly, we present some of our best practices and initiatives to ensure compliance with FAR and Defense requirements.

We continue to enhance and use our developed automated workflow process/tool called the "e-Approval" to manage the review and approval process of contract and task order actions.

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77 Forsyth Street, SW
Atlanta, GA 30303-3458
www.gsa.gov

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
SOUTHEAST SUNBELT REGION
REPORT NUMBER A050198/T/4/Z06009
MANAGEMENT RESPONSE

- 2 -

The e-Approval application automates the pre- and post-award documentation review and approval processes. It is simple and fast and gives the organization complete management control and oversight. Other GSA regions have implemented and modeled our best practice.

We proactively created online and hardcopy standard operating procedures (SOP) readily accessible by our acquisition workforce. The SOP contains relevant acquisition policies and procedures, and standardized templates for several contractually required documents. As a result, there has been tremendous improvement in necessary document preparation.

We follow the below "Get it Right" Plan objectives throughout the SESB. Non-compliance is unacceptable!

1. Secure the best value for federal agencies and American taxpayers through an efficient and effective acquisition process, while ensuring full and open competition, and instilling integrity and transparency in the use of GSA contracting vehicles.
2. Make acquisition policies, regulations and procedures clear and explicit.
3. Improve education/training of the federal acquisition workforce on the proper use of GSA contracting vehicles and services.
4. Ensure compliance with federal acquisition policies, regulations and procedures.
5. Communicate with the acquisition community, including agencies, industry partners, Office of Management and Budget (OMB), Congress, and other stakeholders, regarding the use of GSA contracting vehicles and services.

In response to the isolated cases, we provide the attached supporting clarification and respectfully request our response be included in your final audit report.

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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- 3 -

Again, we appreciate the opportunity to review this important draft audit report and extend our appreciation to members of the audit team for their efforts and open dialogues during the audit. Their effort and work indeed represent an important contribution to our commitment of the "Get it Right" Plan and in improving our management controls.

cc: G. Martin Wagner
Acting Commissioner
Federal Technology Service (T)

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
SOUTHEAST SUNBELT REGION
REPORT NUMBER A050198/T/4/Z06009
MANAGEMENT RESPONSE

ATTACHMENT

Inconsistent Mapping of Labor Categories

SESB's Comments:

We explored the contractor mapping of labor categories and any potential overbilling on Task Order [REDACTED]. First, we addressed the isolated case with the contractor and our position is as follows:

Task order number redacted pursuant to FOIA Exemption 4.

1. The contractor's interpretation of the Performance Work Statement led to the use two similar labor categories from our IT schedule; Commercial Job Title: Senior Program/System Analyst and Senior Systems Analyst/Programmer.
2. To simplify their proposal, they split the Senior Program/System Analyst job title into two different titles; Senior Program Analyst and Senior System Analyst.
3. In Appendix A, Pricing, of their proposal, the contractor provided crosswalk of the labor categories and GSA IT schedule labor categories.
4. Even though they used similar labor categories, the experience, functional responsibility, and education requirements for each labor category are different. The contractor staffed the contract task order with personnel who comply with the criteria for the different skill categories.
5. The day-to-day functions that these personnel perform are dramatically different.
 - a. The contractor's two Senior System Analysts are on-site co-located with the government users. They help the government users understand the system integration and application of the Commercial-Off-the-Shelf (COTS) software that provides replay capability of mission scenarios for debriefings after each individual flight mission. When problems arise, the Senior System Analysts provide on-site solutions as to the operation and application of the software. If the government users identify possible improvements to the software, the Senior System Analysts analyze the requirement, perform trade-off analyses, and prepare software request reports that are transmitted to the COTS software developer. When the software developer produces a new version of the COTS software, the Senior System Analysts perform program implementation planning to

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ensure the government users are satisfied with the new product.

b. The contractor's one Senior System Analyst was bid at the off-site rate for this program. This individual performs the function of a deputy to the Program Manager and is very familiar with the overall concept of operation for the project. From system software issues to financial management, this individual analyzes problems or conflicts and provides courses of action for the PM to ensure the program remains on schedule, and within budget.

c. The key discriminator between these two similar labor categories is the scope of the duties they perform in accordance with the functional responsibility of the labor category description as explained in the contractor's IT GSA schedule. The contractor proposed similar labor categories for the day to day execution of the task order and the personnel performing these jobs have dramatically different functional responsibilities, experience and education levels in accordance with the skill category descriptions and classification contained in the contractor's IT GSA schedule.

Secondly, we addressed this labor category mapping practice with our GSA FSS Schedule Contract PCO. Per confirmation by our PCO, the contractor's labor practice appears acceptable and consistent with the current Schedule Contract procedures and regulations. The contractor labor categories were negotiated and awarded with broad mapping flexibility based on functions primarily being performed on site and off site and consistent with labor rate ceilings.

Based on our analysis above, it does not appear that the contractor labor category mapping practice is a result of any potential overbilling. However, to ensure compliance with the current isolated case stated in this audit review, we will provide update training on this audit to our acquisition workforce.

Funding Authority

SESB's Comments:

We made a concerted effort to process Task Order 4TFG57057075 timely. We accepted our customer MIPR 9/3/04, however, processing of this order carried over to FY05 with resulting award date of 7/1/05. Consistent with the GSA Assistant Commissioner's Guidance of September 12, 2005 on

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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use of Fiscal Year 04 funds, we completed a timeline that recorded our progress in processing the bona fide need identified upon receipt of the MIPR. Summarized in the timeline are details of the continual active progress of the project, starting with the statement of need (MIRR accepted 9/3/04) and associated RFI's release of scope (dated 11/29/04) through contract task order award 7/1/05. As noted in the audit report, GSA and DoD's offices of General Counsel are working to determine appropriate timeframes for proper use of DoD fiscal year funds, and accordingly upon receipt of new guidance, we will provide update training on this issue to our acquisition workforce.

Opportunity for Improvement - Contract File Documentation

SESB's Comments:

In response to the audit Independent Government Estimate (IGE) review on Task Order 4TWG21051062, our customer provided an initial IGE with signature of certification: "This IGE is based on Engineering Expert Opinion for Labor Categories and hours associated for each task. Representative GSA Labor Rates were used as basis of rates. It is considered to be reliable for negotiation.... "The undersigned individuals certify that the IGE was for the development for Handheld Computer Unit Support and were derived independently."

Per our Project Manager documentation in ITSS, the client revised the IGE to better reflect the requirements stated in the Statement of Work. Please reference the below screenshot from the ITSS Integrated System that was documented prior to award of this task order.

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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Individual's name
redacted pursuant to
FOIA Exemption 6.

Submitted by: [Redacted] at 03/23/2005
Client: 4TWG21051062, Mod 00
Order ID:

Govt Estimate: IGE.... from Client...

5/9/05 The Client revised the IGE to support the requirements as stated in the SOW...
Client Basis of Revised Estimate: This IGE is based on Engineering Expert Opinion for Labor Categories and hours associated for each task. Representative GSA Labor Rates were used as basis of rates. It is considered to be reliable for negotiation to within +/- 25%.

Their new amount is \$500,300.00

File Attachments:

File Attachment #1: (FY05G1062IGEClient.pdf)

File Attachment #2: (RevisedIGE5-9-2005

Software Development for HCU Support
(REVISION 2).doc)

Comments: The initial IGE amount was estimated at \$392,049.00
Total Gov Est: \$505,300.00

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REVIEW OF
FEDERAL TECHNOLOGY SERVICE'S
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SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

DATE: September 28, 2006

REPLY TO

ATTN OF: Regional Inspector General for Auditing
Great Lakes Region Field Audit Office (JA-5)

SUBJECT: Review of Federal Technology Service's Client Support Center
Great Lakes Region
Report Number A050198/T/5/Z06005

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

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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

Objectives, Scope, and Methodology

Our objective, as directed by Section 802(a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Great Lakes CSC that were previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1, and July 31, 2005, and August 1, and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Great Lakes CSC, our samples included six new awards and modifications to four existing orders, valued at \$6.9 million and \$160.6 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

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Results of Audit

We found the Great Lakes CSC compliant with FAR and Defense procurement requirements. The Region has implemented national controls identified in the previous Administrator's 'Get It Right' Plan, and has improved its overall contracting practices, compared with our past audit findings. While we found the Great Lakes CSC compliant, we did find one task order with minor deficiencies, but it was an isolated case. We also identified opportunities for improvement in contract documentation.

Minor Deficiencies. We identified one existing order that had minor deficiencies.

- Task Order Number 5TP5704D005.
 - The CSC awarded a modification to an existing FSS Schedule task order that increased the overall funding ceiling from \$33,540,867 to \$38,315,200 for additional work (i.e., cabling/conduit work and program management) related to the installation of vehicle barriers to provide security on Air Force bases worldwide. The modification raised the Not-to-Exceed ceiling amounts by \$3.6 million for the Installation and \$1.2 million for the Program Management line items. While the initial task order was competitively awarded and the initial pricing determined to be fair and reasonable, we did not identify specific analysis that the CSC performed to determine fair and reasonable pricing for this modification. The contract file did indicate that the contractor's estimate was based on an average of actual costs incurred at ten locations. Further, the \$1.2 million program management work was based on labor hours and hourly rates which were not fully analyzed for price reasonableness.

FTS Management did show that a review was performed to document that additional funds were for legitimate task order needs, but stated that the amounts proposed to increase the funding ceilings were only estimates and that the actual amounts would not be known until the invoices were submitted. They stated that they would be reviewing all invoices in detail and ensuring that all costs submitted were allowable and reasonable and provided us examples of this review. In light of this, we determined that, although documentation of price reasonableness is still an issue, the actions FTS has taken mitigate the risk. Therefore we consider this a minor deficiency.

- As a note, the initial task order for this modification involved construction work, which we previously brought to the agency's attention in our December 2004 report¹. We question whether FTS has the authority or expertise to award this construction modification or to continue placing orders against FSS Schedule 84 (Total Solutions for Law Enforcement, Security, Facility Management Systems, Fire, Rescue, Special Purpose Clothing, Marine Craft and Emergency/Disaster Response). Authority to award construction work is within the authority of the

¹ Audit Report Number A040117/T/5/Z05002, Audit of Federal Technology Service's Client Support Center, Great Lakes Region, issued December 9, 2004.

GSA Public Buildings Service, as shown by the GSA Delegation of Authority Manual. FTS is not given the authority to award construction contracts, in part because of the requirements placed on all construction contracts (Davis-Bacon regulations, training requirements, mandatory construction estimates, etc.). Since the ceiling funding amounts were raised with Modification Three, more work could be given to the contractor. Therefore the issues brought to light in the review of the original task order may be perpetuated and compounded in the modification.

Opportunity for Improvement – File Documentation. We identified one new task order in which file documentation could be improved to more adequately support the contracting officer's determination of price reasonableness.

- Task Order Number 5TS57050777.
 - A \$539,458 sole source task order, consisting of \$156,659 for installation and \$382,800 for extended maintenance of an automated entry control system did not contain sufficient detail of the services to be provided under the maintenance agreement. The contracting officer stated that his determination was based on the prior task order for the same work. We did find evidence that the previous contracting officer had determined the prices to be fair and reasonable. Subsequent to our analysis, FTS provided a copy of the maintenance agreement, however, it should have already been documented in the task order file. Every effort should be made to ensure that contract files are fully and completely documented.

Conclusion

The Great Lakes CSC is compliant with the FAR and Defense procurement requirements. The CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan and improved its overall contracting practices, compared with our past audit findings. Although, we did identify isolated procurement deficiencies and opportunities for improvement, we determined the Region to be compliant, and no further recommendation is required. Additionally, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

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 March 7, 2006, the Great Lakes

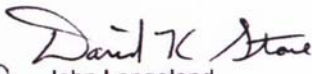
Regional Administrator responded to this report. Although generally concurring with the audit conclusion, he did "disagree with the comments related to construction work". Management's response is included in its entirety as Attachment 1 to this report.

While we understand that the CSC does not believe that this task order involves construction, our review demonstrated that it meets the FAR definition of construction. The contractor's proposal indicates that installation requires construction equipment such as backhoes, forklifts, and welding equipment, includes such tasks as excavation and concrete work, and uses such labor disciplines as Carpenter, Mason, Iron Worker, and Electrician. Additional photographic evidence demonstrates that construction is required in the installation of the vehicle barriers and the additional cabling/conduit work added with Modification Three.

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 implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact Adam Gooch or me at (312) 353-7781, extensions 126 and 113, respectively.


for John Langeland
Audit Manager
Great Lakes Region

Attachments

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTERS
GREAT LAKES REGION
REPORT NUMBER A050198/T/5/Z06005

MANAGEMENT RESPONSE



GSA Great Lakes Region

MAR 07 2006

MEMORANDUM FOR DAVID K. STONE
REGIONAL INSPECTOR GENERAL FOR AUDITING (JA-5)

FROM: JAMES C. HANDLEY *James C. Handley*
REGIONAL ADMINISTRATOR (SA)

SUBJECT: Comments to Draft IG Audit Report Number A050198-6

Forwarded are Regional comments to the Draft Audit Report, subject above. We request that our comments be attached to the final report.

We are glad our efforts to implement actions and controls to improve our overall contracting practices were acknowledged by the audit. We have taken many measures to ensure we are following the previous Administrator's "Get It Right" Plan and to improve our contracting practices. We do concur that there is always room for improvement and we will continue to strive for contract excellence which includes ensuring adequate contract documentation and continually assessing our internal controls.

As my staff has noted in recent communications with your office and in my November 30, 2004 comments to draft audit report number A040017, we disagree with the comments related to construction work and the improper use of funds.

We do appreciate the time and effort your office has expended during the process and your acknowledgment, as evident by our procurement actions, that we are compliant with the FAR and Defense procurement requirements.

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REVIEW OF
FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTERS
HEARTLAND REGION
REPORT NUMBER A050198/T/6/Z06014

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date : September 28, 2006

Reply to

Attn of : Heartland Region Field Audit Office (JA-6)

Subject : Review of Federal Technology Service's Client Support Center – Heartland Region
Report Number A050198/T/6/Z06014

To : Bradley M. Scott
Regional Administrator (6A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 Heartland Region. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act), Public Law 108-375, directed the Inspectors General of the General Services Administration and the Department of Defense (Defense) to jointly perform a review of each FTS CSC and determine whether each CSC is compliant or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Heartland CSC, which was previously identified as not compliant but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1 and July 31, 2005, and August 1 and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Heartland CSC, our samples included 15 new awards and modifications to four existing orders, valued at \$79.6 million and \$109.9 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

Results of Audit

We found the Heartland CSC compliant with the FAR and Defense procurement requirements. The Heartland CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan and has improved its overall contracting

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practices, compared with our past audit findings. While we found the Heartland CSC compliant, we did find two instances of minor deficiencies, but these were isolated cases with limited financial impact. We also identified opportunities for improving contract file documentation.

- Task Order K05ER156S00 - FTS issued a \$985,668 time and materials bridge task order for integration planning to support various services during Joint Training Exercises for the Navy. The Order for Supplies and Services did not contain the not-to-exceed amount. FTS stated this was an oversight. We advised FTS to work with Regional General Counsel to correct this issue.
- Task Order K02MN001F00 – FTS awarded the final option of \$2.2M on a \$10M existing order for computer operational support. The award of the final option was improper because initial award documentation did not contain an adequate evaluation of labor mix and level of effort. To mitigate the risk for the final option, FTS performed an adequate analysis to support that the labor mix and level of effort was reasonable. In addition, we determined that FTS has adequate controls in place to monitor the work.

Opportunity for Improvement – File Documentation

In addition to the issues discussed above, we note that file documentation did not always demonstrate that the contracting officer was well informed regarding the basis of the information in the Independent Government Estimate (IGE). When the IGE is used as a basis for the award of a task order, the contracting officer should be cognizant of the basis for the amounts contained in the IGE, as well as any assumptions made by the estimator. The integrity of the contracting officer's determination of price reasonableness is increased when there is a good understanding of the basis of the IGE. The importance of this understanding is emphasized when there is only one offeror. File documentation could also be improved to ensure adequate support for sole source awards.

Conclusion

We found the Heartland CSC compliant with the FAR and Defense procurement requirements. The CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan, and has improved its overall contracting practices, compared with our past audit findings. However, we did identify two isolated instances of minor deficiencies. We also identified opportunities for improvement in contract file documentation. Further, though no specific instances were observed for the Heartland CSC, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

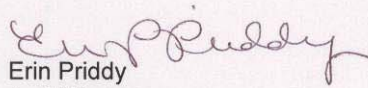
Management Comments

We obtained agency comments throughout the audit work, providing a draft summary of our findings on each order to FTS regional officials for their comments, which we incorporated into our analysis as appropriate. On March 9, 2006 GSA's Regional Administrator for the Heartland Region submitted a "no comment" response. Management's response is included in its entirety as Attachment 1 to this report.

Internal Controls

We assessed the internal controls relevant to Heartland CSC procurements to assure that the procurements were made in accordance with the FAR and Defense procurement requirements. While we have seen substantial improvements in internal controls, the Heartland CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact me at (816) 926-7052.



Erin Priddy
Audit Manager
Heartland Region

Attachments

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTERS
HEARTLAND REGION
REPORT NUMBER A050198/T/6/Z06014

MANAGEMENT RESPONSE



MAR 09 2006

GSA, Heartland Region
Regional Administrator

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

FROM: BRADLEY M. SCOTT *Bradley M. Scott*
REGIONAL ADMINISTRATOR (6A)

SUBJECT: Draft Audit for the FTS Client Support Group (Reference your
memo, March 2, 2006)

Region 6 has reviewed the draft audit for the FTS Client Support Group - Heartland
Region and we have no comments.

1500 E. Bannister Rd, Rm 1137 • Kansas City, MO 64131
816.926.7201 • Fax 816.926.7513
bradley.scot@gsa.gov

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
GREATER SOUTHWEST REGION
REPORT NUMBER A050198/T/7/Z06012

SEPTEMBER 28, 2006

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General Services Administration
Office of Inspector General
819 Taylor Street
Fort Worth, TX 76102



Date: September 28, 2006

Reply to
Attn of: Regional Inspector General for Auditing (JA-7)

Subject: Review of Federal Technology Service's
Client Support Center
Greater Southwest Region
Report Number A050198/T/7/Z06012

To: Scott Armey
Regional Administrator (7A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Greater Southwest CSC, which was previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1 and July 31, 2005, and August 1 and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Greater Southwest CSC, our samples included 15 new awards and modifications to 4 existing orders, valued at \$49.1 million and \$106.9 million, respectively. The review was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

Results of Review

We found the Greater Southwest CSC compliant with the FAR and Defense procurement requirements. The Greater Southwest CSC has implemented national controls identified in the Administrator's "Get It Right" Plan and has improved its overall contracting practices, compared with our past review findings. While we found the Greater Southwest CSC compliant, we did find two instances of minor deficiencies, but these were isolated cases with limited financial impact.

- Task Order PSBPA1742BAA - FTS issued a \$196,194 firm fixed price task order for independent cost estimate support to the Navy. Subsequently, FTS extended the period of performance and added \$43,322. While FTS was able to explain through numerous discussions and additional documentation that this change was in fact justified because of a legitimate delay on the part of the Government, the file documentation should have clearly demonstrated that the Government was responsible.
- Task Order FS1702257NEW - During the prior review, the OIG identified deficiencies in the base award for this firm fixed price task order. At that time, FTS properly reduced the performance period to disallow further work on the task order after April 30, 2005. However, the Contracting Officer subsequently authorized the contractor to complete already funded work beyond the modified period of performance without a contract in place. On September 23, 2005, FTS executed a modification to allow the contractor to invoice \$406,228 to recognize the additional work the contractor performed.

Conclusion

We found the Greater Southwest CSC compliant with the FAR and Defense procurement requirements. The Greater Southwest CSC has implemented national controls identified in the Administrator's "Get It Right" Plan and improved its overall contracting practices, compared with our past review findings. While we found the Greater Southwest CSC compliant, we did find two instances of minor deficiencies, but these were isolated cases with limited financial impact. We also note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

Management Comments

We obtained agency comments throughout the review work, providing a draft summary of our findings on each order to FTS regional officials for their comments, which we incorporated into our analysis as appropriate. We also provided a draft of this report to regional officials. In his March 8, 2006, response, the Regional Administrator stated the Greater Southwest Region had no comments or additional information to provide. Management's response is included in its entirety as Attachment 1 to this report.

Internal Controls

We assessed the internal controls relevant to Greater Southwest CSC procurements to assure that the procurements were made in accordance with the FAR and Defense procurement requirements. While we have seen substantial improvements in internal controls, the Greater Southwest CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact Al Barnett or me on (817) 978-2571.



Grace D. McIver
Audit Manager
Fort Worth Field Audit Office (JA-7)

Attachments

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
GREATER SOUTHWEST REGION
REPORT NUMBER A050198/T/7/Z06012

MANAGEMENT COMMENTS



GSA Greater Southwest Region

DATE : March 8, 2006

MEMORANDUM FOR: Rodney J. Hansen
Regional Inspector General For Auditing (JA-7)

FROM: Scott Arney 
Regional Administrator (7A)

SUBJECT: Review of Federal Technology Service's
Client Support Center
Greater Southwest Region
Report Number A050198-8/T/7/XXXXX

This office has reviewed the draft report from the Regional Inspector General for Auditing office regarding the audit of the Federal Technology Service (FTS) Client Support Center (CSC) in the Greater Southwest Region (Region 7). After a thorough review of this draft report we have no comments or additional information.

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Fort Worth, TX 76102-6195
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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
ROCKY MOUNTAIN REGION
REPORT NUMBER A050198/T/6/Z06013

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
ROCKY MOUNTAIN REGION
REPORT NUMBER A050198/T/6/Z06013

SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date : September 28, 2006

Reply to

Attn of : Heartland Region Field Audit Office (JA-6)

Subject : Review of Federal Technology Service's Client Support Center
Rocky Mountain Region
Report Number A050198/T/6/Z06013

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

James A. Williams
Commissioner, Federal Acquisition Service (Q)

This report presents the results of the Office of Inspector General's review of the Federal Technology Service (FTS) Client Support Center (CSC) in the Rocky Mountain Region (Rocky Mountain). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (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 or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Rocky Mountain CSC, which was previously identified as not compliant but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1 through July 31, 2005, and August 1 through October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Rocky Mountain CSC, our samples included seven new awards and modifications to four existing orders, valued at \$9.4 million and \$14.2 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

1500 East Bannister Road, Room 2075, Kansas City, MO 64131-3088

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Results of Audit

We found the Rocky Mountain CSC to be compliant with FAR and Defense procurement requirements. The Rocky Mountain CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan and has improved its overall contracting practices, compared with our past audit findings. While we found the Rocky Mountain CSC compliant, opportunities for improvement exist in the area of file documentation.

Opportunities for Improvement – File Documentation

The Rocky Mountain CSC could improve file documentation practices in two ways: (1) ensure the timely completion of file documentation, and (2) ensure that all documentation is placed in the official file.

- In some instances, key documents were not prepared until after the award date. Examples include acquisition plans, justifications for use of time-and-material type tasks, and price determination memorandums. While the analyses for these determinations were performed prior to award, and the documents prepared were supported by file documentation that existed prior to award, these documents should always be prepared in a timely manner.
- While the Rocky Mountain CSC advised that the official file for review was the hard copy file for each task order, we found that various documents were not in the hard copy file at the time of review. Missing documentation included justifications for use of time-and-material type tasks and supporting documentation for initial awards referenced in price analysis memorandums. FTS officials subsequently provided these documents, which were maintained in the contract working files (GSA Preferred). We found the documents to be sufficient, however, the official files for these task orders should be complete and able to stand on their own at all times.

Conclusion

We found the Rocky Mountain CSC compliant with the FAR and Defense procurement requirements. The Rocky Mountain CSC has implemented national controls identified in the previous Administrator's "Get It Right" Plan and improved its overall contracting practices, compared with our past audit findings. While we found the Rocky Mountain CSC to be compliant, we did identify file documentation to be an area where opportunities for improvement exist. Additionally, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

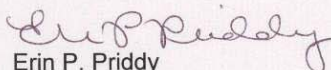
Management Comments

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 report to Regional officials. On March 7, 2006, GSA's Regional Administrator for the Rocky Mountain Region submitted a response indicating the Region's concurrence with the draft audit report. The response also discussed the actions the Region has implemented to address the opportunities we noted for improvement. File documentation has been addressed with the Contracting Officers and Project Managers, enhanced checklists have been developed, and the CMRP review level has been lowered from \$900,000 to \$100,000 for all contract actions to ensure documentation is prepared at the time of contract action. Also, in reference to the official contract file, pertinent information has been extracted from GSA Preferred as well as ITSS to ensure these official files are complete. Management's response is included in its entirety as Attachment 1 to this report.

Internal Controls

We assessed the internal controls relevant to the Rocky Mountain CSC's procurements to assure that the procurements were made in accordance with the FAR and Defense procurement requirements. While we have seen substantial improvements in internal controls, the Rocky Mountain CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

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

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
ROCKY MOUNTAIN REGION
REPORT NUMBER A050198/T/6/Z06013

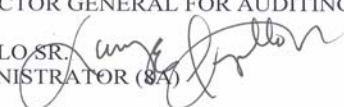
MANAGEMENT RESPONSE



U.S. General Services Administration
Office of the Regional Administrator

March 7, 2006

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

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

SUBJECT: Draft Report – Review of Federal Technology Service's Client
Support Center – Rocky Mountain Region
Report Number A050198-11

We have reviewed your comments in the Inspector General review of the Federal Technology Client Support Center in the Rocky Mountain Region dated March 2, 2006 and take no exceptions to your findings. We would like to take this opportunity to address our opportunities for improvement. The issue of file documentation has been addressed with the Contracting Officers and the Project Managers to ensure compliance with future acquisitions. Enhanced checklists have been developed and are being used along with lowering the CMRP level from \$900,000 to \$100,000 for all contract actions. With incorporating the lower level of CMRP reviews the FTS Acquisition Director will ensure that documentation is prepared at the time of contract action.

In reference to the official file copy, we have had to convert from the GSA Preferred electronic file in order to accommodate the numerous audits, Legal reviews, CMRP reviews, internal reviews and to assist supporting our internal processes performed by the contracting officer, project managers and our Law Department. Needless to say, extracting the information from GSA Preferred by attempting to gain access to files and also having some of the file documentation extracted from ITSS was been a challenge and we expect that this problem has been resolved.

We appreciate the time and effort your office has provided us in these reviews, your review has certainly assisted our Region in pursuing the Get it Right initiative and we look forward to working with you in the future.

Rocky Mountain Region
Denver Federal Center
Building 41, Room 200
Denver, CO 80225
www.gsa.gov/r8

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
PACIFIC RIM REGION
REPORT NUMBER A050198/T/9/Z06011

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
PACIFIC RIM REGION
REPORT NUMBER A050198/T/9/Z06011

SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Field Audit Office, Pacific Rim Region (JA-9)
450 Golden Gate Avenue, Room 7-5262
San Francisco, CA 94102-3434

Date: September 28, 2006

Reply to
Attn of: Audit Manager, San Francisco Field Audit Office (JA-9)

Subject: Review of Federal Technology Service's Client Support Center
Pacific Rim Region
Report Number A050198/T/9/Z06011

To: Peter G. Stamison
Regional Administrator (9A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 Pacific Rim Region. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (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 or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Pacific Rim CSC that was previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1 and July 31, 2005, and August 1 and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Pacific Rim CSC, our samples included 15 new awards and modifications to four existing orders, valued at \$93.2 million and \$56.5 million, respectively. The audit was conducted between September 2005 and January 2006, in accordance with generally accepted Government auditing standards.

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Results of Audit

We found the Pacific Rim CSC compliant with the FAR and Defense procurement requirements for the 15 new task orders and modifications to four existing orders reviewed. The Region has implemented national controls identified in the previous Administrator's "Get It Right" Plan and has improved its overall contracting practices, compared to our last audit report. No further follow-up is necessary for these orders and no audit recommendations are required. Additionally, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

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 report to Regional officials. On March 8, 2006, the Regional Administrator provided a response acknowledging the results of the review. The Region will continue to adhere to internal controls as well as monitor acquisition practices to ensure compliance with acquisition requirements and policy. Management's response is included in its entirety as Attachment 1.

Internal Controls

We assessed the internal controls relevant to the CSC's procurements to assure the orders were made in accordance with the FAR and the terms and conditions of the contracts utilized. The CSC will need to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact me at (415) 522-2744.



PERLA CORPUS
Audit Manager
San Francisco Field Audit Office (JA-9)

Attachments

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
PACIFIC RIM REGION
REPORT NUMBER A050198/T/9/Z06011

MANAGEMENT RESPONSE




GSA Pacific Rim Region

March 7, 2006

MEMORANDUM FOR JOSEPH J. BREWSTER
REGIONAL INSPECTOR GENERAL FOR AUDITING
PACIFIC RIM REGION (JA-9)

FROM:  PETER G. STAMISON
REGIONAL ADMINISTRATOR
PACIFIC RIM REGION (9A)

SUBJECT:  Response to Report on "Review of Federal Technology
Service's Client Support Center Pacific Rim Region
Assignment Number A050198-9"

Thank you for the opportunity to review the subject report which documents the audit outcome of the Federal Technology Service (FTS) Client Support Center, Pacific Rim Region.

I am proud of the results of this audit and would like to acknowledge the professionalism and thoroughness exhibited by your staff. Their efforts and open dialogue during the audit represented an important contribution to this assignment.

FTS will continue to adhere to internal controls and monitor acquisition practices to ensure compliance with Federal Acquisition Regulations (FAR) and Department of Defense acquisition requirements and policies.

Thanks again for the opportunity to review the results of this phase of audits.

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NORTHWEST/ARCTIC REGION
REPORT NUMBER A050198/T/9/Z06006

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NORTHWEST/ARCTIC REGION
REPORT NUMBER A050198/T/9/Z06006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Field Audit Office, Pacific Rim Region (JA-9)
450 Golden Gate Avenue, Room 7-5262
San Francisco, CA 94102-3434

Date: September 28, 2006

Reply to
Attn of: Audit Manager, San Francisco Field Audit Office (JA-9)

Subject: Review of Federal Technology Service's Client Support Center
Northwest/Arctic Region
Report Number A050198/T/9/Z06006

To: Jon R. Kvistad
Regional Administrator (10A)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 Northwest/Arctic Region. The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (Public Law 108-375) directed the Inspectors General of the General Services Administration and the Department of Defense (DoD) to jointly perform a review of each FTS CSC and determine whether each CSC is compliant or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the Northwest/Arctic CSC that was previously identified as not compliant, but making significant progress, are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1, and July 31, 2005, and August 1, and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the Northwest/Arctic CSC, our samples included 15 new awards and modifications to four existing orders, valued at \$86.7 million and \$159.6 million, respectively. The audit was conducted between August 2005 and January 2006, in accordance with generally accepted Government auditing standards.

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Results of Audit

We found the Northwest/Arctic CSC compliant with the FAR and Defense procurement requirements for the 15 new task orders and modifications to four existing orders reviewed. The Region has implemented national controls identified in the previous Administrator's "Get It Right" Plan and has improved its overall contracting practices, compared to our last audit report. We note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting. The Northwest/Arctic CSC is thus considered compliant and no further recommendation is required.

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 March 1, 2006, the Regional Administrator provided a response (included as Attachment 1) acknowledging the results of the review.

Internal Controls

We assessed the internal controls relevant to the CSC's procurements to assure the procurements were made in accordance with the FAR and the terms and conditions of the contracts utilized. The CSC will need to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact me at (415) 522-2744.



PERLA CORPUS
Audit Manager
San Francisco Field Audit Office (JA-9)

Attachments

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
PACIFIC RIM REGION
REPORT NUMBER A050198/T/9/Z06006
MANAGEMENT RESPONSE



GSA Northwest/Arctic Region

March 1, 2006

MEMORANDUM FOR JOSEPH J. BREWSTER
REGIONAL INSPECTOR GENERAL FOR AUDITING (JA-9)
FROM: *Jay S. Castiel*
for JON KVISTAD
REGIONAL ADMINISTRATOR (10A)
SUBJECT: Discussion Draft Report – Review of Federal Technology
Service's Client Support Center, Northwest/Arctic Region
Assignment Number A050198-12

We have received the Discussion Draft Report on the review of Federal Technology Service's Client Support Center, Northwest/Arctic Region, Assignment Number A050198-12. We are relieved that you found the Northwest/Arctic Client Support Center compliant with the FAR and Defense procurement requirements for the 15 new task orders and four existing orders reviewed.

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NATIONAL CAPITAL REGION
REPORT NUMBER A050198/T/W/Z06010

SEPTEMBER 28, 2006

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REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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REPORT NUMBER A050198/T/W/Z06010

SEPTEMBER 28, 2006

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U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date : September 28, 2006

Reply to

Attn of : Washington Field Audit Office (JA-W)

Subject Review of Federal Technology Service's Client Support Center
National Capital Region
Report Number A050198/TW/Z06010

To : Ann W. Everett
Acting Regional Administrator (WA)

James A. Williams
Commissioner, Federal Acquisition Service (Q)

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 (NCR). The Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 (Act) (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 or not compliant with Defense procurement requirements.

Objective, Scope, and Methodology

Our objective, as directed by Section 802 (a)(2) of the Act, was to assess whether the policies, procedures, and internal controls of the NCR CSC that was previously identified as "not compliant but making significant progress" are now administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements. We analyzed two stratified random samples of procurement actions for services greater than \$100,000, executed between May 1 and July 31, 2005, and August 1 and October 31, 2005, respectively. We also analyzed a judgmental sample of procurement actions for existing orders. For the NCR CSC, our samples included 15 new awards and modifications to four existing orders, valued at \$38.1 million and \$146.6 million, respectively. The audit was conducted between August 2005 and January 2006 in accordance with generally accepted Government auditing standards.

Results of Audit

We found the NCR CSC compliant with the FAR and Defense procurement requirements. The Region has implemented national controls identified in the previous Administrator's "Get It Right" plan and has improved its overall contracting practices. While we found the CSC compliant, we did identify two instances of minor deficiencies, but these were isolated cases with limited financial impact. Opportunities for improvement in contract file documentation were also noted.

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Minor Deficiencies

- In one instance, the government was acquiring software licenses, installation, training, and on-call maintenance services through an open market, sole source procurement - the only one of its type in our sample. The contracting officer was unable to establish either a market or cost basis from which to determine the best value for on-call maintenance services in the task order out years, which accounted for \$595,843 of the total \$1,234,222 proposal.

Management Comments

FTS indicates the information provided establishes a fair value for the on-call maintenance services for the option years and that this information was in the contract file at the time the task order was awarded. However, it understands the information was not acceptable to the auditors “because it was not prepared by the contracting officer contemporaneously at the time of contract award”.

- In another instance, the CSC exercised a pre-priced option to extend for one-year support for an automated information system. The contracting officer’s original price analysis in 2004 did not disclose that three of 12 labor rates proposed exceeded the ceiling price established by the underlying multiple award contract. The impact is a \$358,910 overcharge, or 4.9 percent of the \$7,260,631 total direct labor under the option year. The CSC has taken initial steps to verify the overcharge amount and recover as appropriate. The error is less indicative of a current period deficiency than a deficiency in the original analysis used to establish price reasonableness for the option year in question.

Management Comments

FTS recognizes that the three labor categories are in excess of the contractor’s FSS schedule contract. It is researching information provided by the contractor and reviewing invoices to determine the extent of any recovery to the government. FTS believes that the outcome will not be material, but will continue its efforts until an acceptable resolution is attained.

Opportunities for Improvement

- Although generally compliant with procurement law, regulation, and policy, a more complete, fully documented contract file would help the CSC substantiate its procurement actions and better support post-award administration. While the CSC considers the Information Technology Solution Shop (ITSS) to be the official contract file, some key documentation was maintained in hardcopy by contracting associates outside of ITSS. Although contracting officers’ price analysis determinations were stated, the documentation and analysis supporting these determinations were frequently difficult to locate. Complete price analysis documentation should be readily available to assist CSC associates in understanding what has previously occurred as a task order evolves and modifications are required.

- A related aspect of price analysis documentation is authentication of the independent government estimate (IGE). In our sample, we found one example of an IGE that bore the imprint of the incumbent contractor, giving the appearance of potential bias and inappropriate incumbent advantage. In this instance, the NCR CSC detected the irregularity independently of the audit and initiated appropriate action with the client prior to our discussions. Ultimately, FTS determined through other analysis that pricing was fair and reasonable. Establishing a requirement to attribute IGEs to their source and to disclose the underlying basis for cost assumptions could help alleviate such concerns in future procurements.
- Firm-fixed price (FFP) task orders expectations and priced assumptions should be clearly documented. One FFP task order reviewed did not establish a unit price for each deliverable. Another FFP task order permitted several incremental payments without establishing separate priced deliverables or authorizing progress payments. Carefully considering the desired pricing format in connection with the statement of work will help ensure clearer communication of requirements and better protection for both parties in the case of changes or default. Also, the CSC should continue to follow the policy of not awarding FFP orders until full-period funding is received from the client. We found an isolated instance where the CSC awarded an option year without fully funding the cost. The task order has subsequently been restructured to adjust for available funding.

Management Comments

FTS indicates that the underlying contract contains a provision authorizing payment to the contractor, which is consistent with payment rendered under the task order. It recognizes the risk that structuring a task order in this manner poses to the government and acknowledges it as an area for improvement.

Conclusion

We found the NCR CSC compliant with the FAR and Defense procurement requirements. The CSC has implemented the national controls identified in the previous Administrator's "Get it Right" plan and improved its overall contracting practices. While we did find isolated or minor deficiencies and opportunities for improvement, there was no pattern of significant or pervasive non-compliance. No further recommendation is required. Additionally, though no specific instances were observed for the NCR CSC, we note that during the period of our review, GSA and DoD components lacked a common interpretation of the proper use of DoD funds across fiscal years and the proper format of interagency agreements in order to meet DoD requirements. GSA and DoD are continuing to work on the development of consistent policies and procedures to be implemented for GSA and DoD interagency contracting.

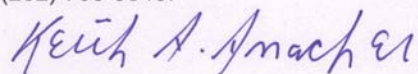
Management Comments

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 report to Regional officials. In her March 8, 2006 response, Attachment 1, the Acting Regional Administrator, while pleased that the NCR CSC is considered compliant with procurement requirements, recognizes the work remaining to be done for continuous improvement. She also offered clarifications on three of the task orders reviewed. These comments are included after each of the relevant task orders. No further OIG comments are warranted as FTS is in agreement with the report findings.

Internal Controls

We assessed the internal controls relevant to the National Capital CSC procurements to assure that the procurements were made in accordance with the FAR and Defense procurement requirements. While we have seen substantial improvements in internal controls, the National Capital CSC needs to continue its commitment to the implementation of effective controls over procurement processes.

If you have any questions regarding the report, please contact Marisa Bodnar or me at (202) 708-5340.



Keith A. Amacher
Audit Manager
Washington Field Audit Office

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
CLIENT SUPPORT CENTER
NATIONAL CAPITAL REGION
REPORT NUMBER A050198/T/W/Z06010

MANAGEMENT RESPONSE



GSA National Capital Region

March 8, 2006

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

FROM:

Handwritten signature of Annie W. Everett in black ink.

ANNIE W. EVERETT
ACTING REGIONAL ADMINISTRATOR (WA)

Handwritten signature of Craig Kennedy in black ink.

CRAIG KENNEDY
ASSISTANT REGIONAL ADMINISTRATOR FOR FEDERAL
TECHNOLOGY SERVICE (WT)

SUBJECT:

Draft Report – Review of Federal Technology Service's Client
Support Center – National Capital Region Report Number
A050198-10

Thank you for the opportunity to review the draft report of the Inspector General's audit of NCR's Client Support Center (CSC). We appreciate the professionalism, cooperation and team spirit displayed by you and your staff in performing this audit. While pleased with your finding that the NCR CSC is compliant with the FAR and Defense procurement requirements, we recognize the work remaining to be done and believe that the process of the audit and the overall results will assist the CSC in continuing to improve. After careful review and consideration of the IG's draft report, NCR offers the following comments and recommendations.

Minor Deficiencies

(Task Order #NI7000040353) As a point of clarification, FTS did provide information on the fairness and reasonableness of the price proposed and awarded for the on-call maintenance services for the option years of this task order. We understand that the IG did not accept the information because it was not prepared by the contracting officer contemporaneously at the time of contract award. However, FTS points out that the information submitted to the IG does establish that the Government will receive a fair value for the on-call maintenance services for the option years and that the information used to demonstrate this was in the contract file at the time the task order was awarded.

U.S. General Services Administration
301 7th Street, SW
Washington, DC 20407-0001
www.gsa.gov

REVIEW OF FEDERAL TECHNOLOGY SERVICE'S
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REPORT NUMBER A050198/T/W/Z06010

MANAGEMENT RESPONSE

Task order number
redacted pursuant
to FOIA Exemption 4.

- 2 -

(Task Order # [REDACTED]) With respect to the three labor categories, FTS does recognize that they are in excess of the contractor's FSS schedule contract. We have not been able to verify the total impact to the overall task order. FTS is in the process of researching information provided by the contractor and reviewing invoices to determine the degree and extent of any recovery due the government. We will continue with our efforts until an acceptable resolution is reached; however FTS continues to believe that the outcome will not be material.

Opportunities for Improvement

Overall, FTS acknowledges the opportunities for improvement identified by the IG and will take steps to incorporate those improvements as appropriate. For example, we held our first Blueprints: Path to Acquisition Excellence session today on standardized task order file documentation. We point out, however, with respect to the third bullet, that the underlying contract does contain a contract provision that authorizes payment to the contractor that is consistent with payment rendered to the contractor under this task order. We recognize the risk that structuring a task order in this manner poses to the government and see this as an area for improvement.

Thank you again for the opportunity to comment.