

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

September 17, 2010



U.S. GENERAL SERVICES ADMINISTRATION  
Office of the Inspector General

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Date: September 17, 2010

Reply To  
Attn Of: Kenneth L. Crompton  
Deputy Assistant Inspector General for Acquisition Audits,  
Acquisition Programs Audit Office (JA-A)

Subject: Review of the Federal Acquisition Service's Client Support Centers  
Report Number A090139/Q/A/P10011

To: Steven J. Kempf  
Commissioner, Federal Acquisition Service (Q)

This report presents the results of our audit of the Federal Acquisition Service's Client Support Centers (CSCs). This audit was directed by Section 801(a) of the National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) which required the Inspectors General of the General Services Administration (GSA) and the Department of Defense (DoD) to determine in writing whether GSA is compliant with laws and regulations applicable to DoD procurements.

Overall, we found the CSCs compliant with the Federal Acquisition Regulation and defense procurement requirements. However, we identified minor deficiencies in funds management, task order award and administrative processes, as well as task order file documentation procedures.

We included your written comments in Appendix I of this report. If you have any questions regarding this report, please contact me at 703-603-0189.

A handwritten signature in cursive script, reading "Kenneth L. Crompton".

Kenneth L. Crompton  
Deputy Assistant Inspector General for Acquisition Audits  
Acquisition Programs Audit Office (JA-A)

cc: Martha N. Johnson  
Administrator (A)

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**EXECUTIVE SUMMARY**

**Purpose**

The Inspectors General of the General Services Administration (GSA) and the Department of Defense (DoD) conducted a joint review of the Federal Acquisition Service's Client Support Centers (CSCs) to determine whether GSA is compliant with defense procurement requirements. Our review focused on procurement transactions processed by the CSCs located in the Mid-Atlantic, Southeast Sunbelt, Greater Southwest, Pacific Rim, and National Capital regions.

**Background**

The National Defense Authorization Act for Fiscal Year 2008 (Public Law 110-181) directed the Inspectors General of GSA and DoD to jointly review the procurement policies, procedures, and internal controls – as well as the administration of such policies, procedures, and internal controls – applicable to the procurement of property and services on behalf of the DoD. The Inspectors General are to determine in writing whether GSA is compliant with defense procurement requirements.

**Results in Brief**

Overall, we found the CSCs compliant with the Federal Acquisition Regulation and defense procurement requirements. However, we identified minor deficiencies in funds management, task order award and administrative processes, as well as task order file documentation procedures.

**Recommendations**

We recommend that the Commissioner of the Federal Acquisition Service:

1. Strengthen and enhance current controls over funds management to ensure that (1) client funds are applied to task orders as specified by the funding document(s) and in accordance with fiscal law; and (2) task order costs do not exceed maximum ceiling values for specific task order line items.
2. Increase oversight and monitoring of task order award and administrative actions.
3. Develop a system of record policy for all CSCs requiring the use of an electronic system to assist in maintenance and oversight of all task order files.

## **Management Response**

On August 9, 2010, the Commissioner of the Federal Acquisition Service concurred with the recommendations of the report. Management's written comments to the draft report are included in their entirety as Appendix I.

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**INTRODUCTION**

The National Defense Authorization Act for Fiscal Year (FY) 2008 (Public Law 110-181) directed the Inspectors General of the General Services Administration (GSA) and the Department of Defense (DoD) to jointly review the procurement policies, procedures, and internal controls applicable to the procurement of property and services on behalf of DoD. In addition, the Inspectors General were to review the administration of such policies, procedures, and internal controls and determine in writing whether GSA is compliant with defense procurement requirements.

**Background**

In FY 2007, GSA consolidated two of its service components, the Federal Supply Service and the Federal Technology Service to establish the Federal Acquisition Service (FAS). During this reorganization, the Client Support Centers (CSCs) were incorporated into the FAS' Office of Assisted Acquisition Services (AAS) portfolio.

The AAS portfolio provides Federal agencies with assisted acquisition solutions by utilizing several contract vehicles, including Government-wide Acquisition Contracts and GSA Multiple Award Schedule (MAS) contracts. AAS directly interfaces with client agencies to define requirements and prepare and manage task and delivery orders through nine<sup>1</sup> regional CSCs throughout the country. Total revenues vary among the CSCs, as shown in Table 1. DoD clients represent approximately 80 percent of the CSCs' total revenue.

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<sup>1</sup> At the issuance of our last report in 2006, there were 11 regional CSCs. However, the Heartland Region and the Northwest/Arctic Region CSCs closed by the end of FY 2008.

**Table 1: FY 2009 CSC Revenues**

<b>Region</b>	<b>Amount</b>
New England	\$77,271,868
Northeast and Caribbean	124,797,739
Mid-Atlantic	406,937,009
Southeast Sunbelt	744,869,236
Great Lakes	102,287,475
Heartland*	2,962,888
Greater Southwest	271,836,356
Rocky Mountain	49,543,172
Pacific Rim	427,431,098
Northwest/Arctic*	10,910,559
National Capital	194,057,002
<b>Total</b>	<b>\$2,412,904,401</b>

\*Although this CSC closed in FY 2008, it still generated revenues from existing task orders in FY 2009.

This is the fifth comprehensive review we have performed of the CSCs since 2004 (see Appendix A). During our last review in 2006, we identified that GSA and DoD components lacked a mutual understanding of DoD's guidelines on: (1) the proper use of funds across FYs; and (2) the format for interagency agreements. As a result, GSA and DoD officials signed a Memorandum of Agreement (MOA) in December 2006 (see Appendix B) to reach a consensus on these issues. The MOA established specific roles and responsibilities for each agency and also contained specific action items aimed at improving acquisition processes.

### **Objective, Scope and Methodology**

Our objective was to assess whether the policies, procedures, and internal controls of the FAS CSCs are administered in a manner compliant with the Federal Acquisition Regulation (FAR) and defense procurement requirements.

To accomplish our objective, we reviewed procurement transactions processed by the five largest revenue generating CSCs for FY 2009<sup>2</sup>. For each CSC, we analyzed two random samples of task order awards and two judgmental samples of modifications placed against existing task orders. The two sample periods reviewed were June 1, 2008, to March 31, 2009; and April 1, 2009, to September 30, 2009.

We separated the random samples of new awards into three strata (see Table 2) to ensure we reviewed task orders of varying dollar amounts with an emphasis on larger dollar task orders. We selected the strata based on internal control points that FAS

<sup>2</sup> The following five regional CSCs were reviewed: Mid-Atlantic CSC, Southeast Sunbelt CSC, Greater Southwest CSC, Pacific Rim CSC, and National Capital Region CSC.

established: (1) competition requirements for service procurements over \$100,000; (2) requests for additional price discounts when MAS orders exceed the typical maximum order threshold of \$500,000; and (3) legal review requirements for procurements exceeding \$5,000,000. To emphasize procurement actions with the greatest risk, we included all Stratum 3 task order awards in our sample.

**Table 2: Dollar Values of Strata Used for Sampling**

<b>Stratum</b>	<b>Dollar Value</b>
1	\$100,000 - \$499,999
2	\$500,000- \$4,999,999
3	\$5,000,000 and above

For the risk-based judgmental sample of existing order modifications, we selected the two largest dollar transactions from each sample period for each CSC. Overall, we reviewed 100 task orders comprised of 16 new task order awards and 4 modifications to existing orders for each CSC. Out of the 100 task orders reviewed, 78 were DoD orders and 22 were non-DoD orders. The total value of all sampled task orders, including options, was \$369,378,501 (see Table 3).

**Table 3: Dollar Value of Sampled Task Orders**

<b>Orders</b>	<b>Number of Task Orders</b>	<b>Dollar Value</b>
New	80	\$ 195,255,767
Modifications	20	\$ 174,122,734
<b>Totals</b>	<b>100</b>	<b>\$ 369,378,501</b>

To analyze these task orders, we used applicable procurement laws, regulations, and relevant GSA and DoD guidance as criteria. Our comprehensive assessments of each CSC were summarized in individual written audit reports issued to regional management. Regional comments, both written and oral, were considered in our final assessments. These regional reports, together with management's responses, are included in their entirety as Appendices D through H.

We conducted this performance audit from March 2009 through March 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



## **RESULTS OF AUDIT**

Overall, we found that GSA is compliant with Federal and applicable defense procurement requirements. While GSA contracting and fund management officials have made improvements in complying with the FAR and appropriations law when making purchases on behalf of client agencies, we identified minor deficiencies that present opportunities for improvement. Specifically, we found that GSA should strengthen controls over funds management, enhance oversight of task order award and administrative processes, and develop a system of record policy.

### **Strengthen Controls Over Funds Management**

Since our last review in 2006, FAS has made significant progress in strengthening controls over the management of client funds. Specifically, the FAS Office of the Controller has instituted national oversight of funds, which has resulted in more timely return of excess funds to client agencies. In addition, controls have been strengthened in relation to the acceptance, monitoring, and reporting of client funds. While the Agency has made these improvements, we identified additional system controls that are necessary to properly manage client funds.

At the time of our review, the system used by FAS to manage client funds was limited to billing funding documents on a first-in, first-out (FIFO) basis. In addition, the system lacked the capability to identify the period of fund availability. These limitations had resulted in invoices being billed against the oldest funding document, regardless of whether those funds had expired. FAS addressed this issue by manually overriding the FIFO billing procedure and monitoring funds across fiscal years, thus mitigating the risk of improperly using expired funds.

Despite the billing enhancements by FAS, we found instances in which the controls over funds management should be improved. During our review of a DoD task order, we identified instances in which:

- Annual funds dedicated to Option Year 1 services were instead used to pay for Base Year services occurring in the same fiscal year. While the correct fiscal year funds were used in this case, a bona fide needs issue<sup>3</sup> could occur if the funds are not used within the available time period.
- Residual funds dedicated to specific line items were used to pay for services above the maximum ceiling amount for a different line item. Although the overall task order funding limit was not exceeded, improper dedication and tracking of funds for specific line items increases the risk that funding limits could be exceeded.
- Funding documents indicated that funds were dedicated to a particular line item; however, the funds were ultimately used to pay invoices for different line items.

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<sup>3</sup> Per Section 1502(a), Title 31, U.S.C., there must be a bona fide need for a requirement in the year the appropriations are available for obligation. Additionally, per Section 2410a, Title 10, U.S.C., funds for severable services must be obligated with the appropriate funding available and can begin in one fiscal year and end in another fiscal year if the period does not exceed one year.

While the correct fiscal year funds were used for payment, funds were not used in accordance with the client's intentions and could lead to maximum ceiling values for specific line items being exceeded.

The three instances discussed above illustrate the need to further strengthen controls over funds management. In order to prevent similar instances from occurring, FAS management should ensure that client funds are applied to task orders as outlined by the funding document(s) and in accordance with applicable fiscal law. In addition, controls should be implemented to ensure that task order costs do not exceed maximum ceiling values for specific task order line items.

### **Enhance Oversight Over Task Order Award and Administration**

Since the initial audit report on the CSCs issued in 2004, GSA has taken constructive measures to ensure compliance with the FAR and defense procurement requirements. Specifically, GSA has issued guidance and provided training to contracting personnel regarding these requirements. Additionally, in December 2006, GSA and DoD entered into an MOA which identified 24 action items (see Appendix B) aimed at improving acquisition processes. Seventeen of these action items were either GSA responsibilities or GSA/DoD joint responsibilities and seven were DoD-specific responsibilities. Of those pertaining to GSA, all are either completed or ongoing in nature.

FAS also established policies and procedures to ensure compliance with relevant procurement requirements. Nevertheless, we identified deviations from these requirements, which resulted in minor deficiencies in the areas of task order award and administration (see Appendix C). Examples of these deficiencies include: (1) inadequate competition; (2) missing interagency agreements; (3) incomplete acquisition plans; (4) improper payment of invoices; (5) unsupported Independent Government Cost Estimates; and (6) inadequate price reasonableness determinations<sup>4</sup>. While these occurrences were isolated, they are inconsistent with GSA's goals which include providing best value acquisition services and business solutions.

These deficiencies are not reflective of excellence in contracting and we are concerned that absent additional management attention, there will be a recurrence of issues identified in previous audit reports on the CSCs. It is essential that FAS be proactive in quality control at the time of task order award and administration to prevent the occurrence of the deficiencies discussed above. To facilitate this improvement and provide best value solutions to client agencies, FAS should increase supervisory oversight and monitoring of task order award and administrative actions.

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<sup>4</sup> This list is not inclusive of all task order award and administration deficiencies found during our review. For specifics, see "Results of Audit" section in each regional report located in Appendices D through H.

## **Develop a System of Record Policy**

During our review, we found that each CSC employs its own preferred system of record for maintaining task order files. These preferences range from a paper-based system to an electronic system, or a blend of both. The paper-based system is a traditional method of maintaining task order files in hardcopy format. Conversely, the electronic system – Integrated Technology-Solutions Shop (ITSS), is web-based and stores task order files online. The blended system combines the use of both a paper-based system and ITSS, resulting in file documentation being housed in multiple locations.

Our audit results illustrate the benefits of using an electronic system of record, as we did not identify any reportable documentation-related issues in a CSC that exclusively uses ITSS. Conversely, the CSCs using paper-based or blended systems had multiple issues with file documentation, including documents that were not dated, not current, or were not present in the official file. Per FAR 4.8, documentation in the files shall contain support for all contractual actions and shall be sufficient to constitute a complete history of the task order.

Using an electronic system of record such as ITSS can assist FAS management in strengthening controls over contract file documentation and the task order award and administrative processes. An electronic system provides convenient access to a centralized work environment, which allows for remote monitoring of task orders. This capability increases the ease of supervisory oversight, which could help address the issues identified with the task order award and administrative processes discussed in the previous section. Additionally, an electronic system could: (1) create a file history/chronology by automatically recording the date and time of all task order actions; (2) provide access to the most current task order file documentation in one universal location; and (3) mitigate the risk of incomplete task order files. To facilitate proper documentation of official task order files and to increase the ease of task order oversight, FAS should require the use of an electronic system to maintain task order files.

## **CONCLUSION**

Overall, we found GSA compliant with applicable Federal and defense procurement requirements. However, we identified opportunities for improvement in the areas of funds management, task order award and administrative monitoring, and task order file documentation. Although the CSCs have improved since our initial CSC report in 2004, GSA and FAS must continue to strive to improve the AAS portfolio to not only meet Federal and defense procurement requirements, but also to fulfill AAS's value proposition of providing best value to client agencies.

## **RECOMMENDATIONS**

We recommend that the Commissioner of the Federal Acquisition Service:

1. Strengthen and enhance current controls over funds management to ensure that (1) client funds are applied to task orders as specified by the funding document(s) and in accordance with fiscal law; and (2) task order costs do not exceed maximum ceiling values for specific task order line items.
2. Increase oversight and monitoring of task order award and administrative actions.
3. Develop a system of record policy for all CSCs requiring the use of an electronic system to assist in maintenance and oversight of all task order files.

## **MANAGEMENT COMMENTS**

On August 9, 2010, the Commissioner of the Federal Acquisition Service concurred with the recommendations of the report. Management's written comments to the draft report are included in their entirety as Appendix I.

## **INTERNAL CONTROLS**

Our audit objective was to assess whether the policies, procedures, and internal controls of the FAS CSCs are administered in a manner compliant with the FAR and defense procurement requirements. Our evaluation of internal controls was limited to the five CSCs that we reviewed. As discussed in the "Results of Audit" section of this report, controls over funds management and task order award and administrative actions should be strengthened.

## **APPENDICES**

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
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**APPENDIX A**

**Prior Client Support Center Audits**

We have performed several audits of the Federal Technology Service (FTS)/Federal Acquisition Service (FAS) Client Support Centers' (CSCs') contracting practices. Our initial audits identified numerous improper task order awards, task order modifications, and contract awards. However, in our later audits, we identified improvements in these areas.

*January 2004*

Our first report<sup>1</sup> issued January 2004 focused on contracting practices in three regions. We identified a number of inappropriate practices including improper sole-source awards, misuse of small business contracts, allowing work outside the contract scope, improper task 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) 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*

Our December 2004 Compendium audit report<sup>2</sup> on FTS CSC contracting practices reported on the results of our nationwide reviews. This review was requested by the then General Services Administration (GSA) Administrator, to determine the nature and breadth of procurement deficiencies within the FTS CSC contracting program. The Chairman of the Senate Finance Committee requested that we also provide continuing oversight of CSC operations to ensure that deficiencies were appropriately addressed.

Our analysis of 227 task orders awarded in Fiscal Year (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 task orders awarded in FY 2004. For those task orders, we generally found improvement as the

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<sup>1</sup> "Audit of Federal Technology Service's Client Support Centers," Audit Report Number A020144/T/5/Z04002, dated January 8, 2004.

<sup>2</sup> "Compendium of Audits of the Federal Technology Service Regional Client Support Centers," dated December 14, 2004.

result of 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.

### June 2005

Our June 2005 Compendium audit report<sup>3</sup> on FTS CSC controls reported on the results of our nationwide reviews in response to Section 802(a) of the Ronald W. Reagan National Defense Authorization Act for FY 2005 (Public Law 108-375). The Act required the Inspectors General of GSA and the Department of Defense (DoD) to review each CSC and determine in writing whether the CSC is compliant, not compliant, or not compliant, but making significant progress toward becoming compliant with defense procurement requirements. We determined 11 of the 12 regional CSCs reviewed to be not compliant with procurement regulations, but making significant progress toward becoming compliant. The European CSC was deemed compliant in that we identified only minor deficiencies.

### September 2006

Our September 2006 Compendium audit report<sup>4</sup> on FTS CSC controls reported on the results of our nationwide reviews in response to Section 802(a) of the Ronald W. Reagan National Defense Authorization Act for FY 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, not compliant, or not compliant, but making significant progress toward becoming compliant with defense procurement requirements. We determined that the 11 regional CSCs reviewed were compliant. However, we found some minor procurement compliance deficiencies in several of the regional CSCs. These deficiencies were isolated cases, were not pervasive, and did not indicate a pattern of non-compliance. We recognized 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. However, we determined that the CSCs generally met the relevant regulations contained in the Federal Acquisition Regulation and provided in GSA guidance. At that time, we noted that the GSA Chief Acquisition Officer, officials from FAS, and DoD procurement officials continued to work on the development of consistent policies and procedures.

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<sup>3</sup> "Compendium of Audits of Federal Technology Service Client Support Center Controls," dated June 14, 2005.

<sup>4</sup> "Compendium of Audits of Federal Technology Service Client Support Center Controls," dated September 29, 2006.

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**APPENDIX B**

**Memorandum of Agreement**

**MEMORANDUM OF AGREEMENT (MOA)**  
**BETWEEN**  
**DEPARTMENT OF DEFENSE**  
**AND**  
**GENERAL SERVICES ADMINISTRATION**

**BACKGROUND:** The General Services Administration (GSA) is charged by statute to provide real property, personal property and services to all federal agencies. The services provided by GSA are not subject to the Economy Act, they are provided under the authority of the Federal Property and Administrative Services Act of 1949 (FPASA). Some of the services provided by GSA are mandatory sources of supply, most are not. The Department of Defense (DoD) is the single largest customer of GSA. DoD utilizes all of GSA's contract vehicles and services. There has never been an agreement between DoD and GSA on the roles and responsibilities of each respective agency in terms of providing services or in using the services provided. This MOA and Action Plan identify roles and responsibilities for both DoD and GSA. Much of what is set forth below reflects work that has already begun, this document memorializes those actions.

**OBJECTIVE:** DoD and GSA share a single objective of providing best value goods and services, in a timely manner, in support of the warfighter. To achieve this objective both DoD and GSA agree that we must achieve Acquisition Excellence.

**AGREEMENT:** In order to achieve Acquisition Excellence, DoD and GSA agree to work together to:

1. Ensure that sole source justifications are adequate when used in connection with a contract or order either issued by DoD or by GSA in support of DoD.
2. Ensure that Statements of Work (SoW) or Performance Work Statements (PWS) are complete when used in connection with a contract or order either issued by DoD or by GSA in support of DoD.
3. Ensure that Interagency Agreements (IAs) between DoD and GSA for work to be performed by GSA on behalf of DoD describe the work to be performed and any other applicable requirements.
4. Develop standardized content for IAs.
5. Ensure that price reasonableness determinations are completed on every contract or order either placed by DoD or by GSA on behalf of DoD.
6. Ensure that acquisition practices across GSA are consistent and applied consistently with GSA policy.




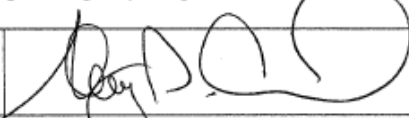
7. Ensure that contract surveillance and oversight requirements are defined, adequate and implemented when used in connection with a contract or order either issued by DoD or by GSA in support of DoD.
8. Ensure that funding oversight/management is adequate when used in connection with a contract or order either issued by DoD or by GSA in support of DoD.
9. Ensure that contracts or orders either issued by DoD or by GSA in support of DoD fully comply with the requirements of the Anti-Deficiency Act (ADA).
10. Ensure that acquisition planning is done before and after work is assigned to GSA.
11. Ensure that a DoD contacting officer reviews work before the work is accepted by GSA.
12. Ensure that DoD customers provide quality Military Interdepartmental Purchase Requests (MIPRs) (or other comparable documents) to GSA for assisted acquisitions.
13. Ensure that pricing on GSA contract vehicles and the services it provides represents the best value on a contract/order basis.
14. Ensure that GSA's fee structure keeps its cost recovery consistent with existing guidance and that it is the lowest possible commensurate with the service provided.
15. Ensure that adequate price competition is obtained for contracts or orders either issued by DoD or by GSA in support of DoD in accordance with statutory and regulatory requirements.
16. Ensure sufficient contractor oversight is performed to detect potential non-performance and/or non-compliance issues and ensuring that contractor past performance is documented properly and in a timely manner for contracts or orders either issued by DoD or by GSA in support of DoD.
17. Ensure requirements are stated in "performance based" terms to the maximum extent possible, consistent with statute and regulation in connection with a contract or order either issued by DoD or by GSA in support of DoD.
18. Ensure training and education opportunities are made available to GSA Client Support Centers and their DoD customers.
19. Ensure timely and accurate data is reported in the Federal Procurement Data System-Next Generation (FPDS-NG) in connection with a contract or order either issued by DoD or by GSA in support of DoD.
20. Define information requirements and then ensure DoD customers are provided with timely and accurate reports on GSA assisted acquisition support in connection with a contract or order issued by GSA in support of DoD.

21. Ensure funds provided GSA by DoD in excess of contract requirements are deobligated in a timely manner and such results are reported to DoD customers in connection with a contract or order issued by GSA in support of DoD.

22. Ensure and foster open lines of communication between DoD and GSA leadership and promoting "Acquisition Excellence," within the two organizations.

As partners, DoD and GSA recognize the need to collaborate on Interagency Acquisition requirements. As individual organizations, each have specific responsibilities in all parts of this plan to ensure that all acquisitions conducted by DoD utilizing GSA contract vehicles or on behalf of DoD by GSA contracting officers are compliant with statute, regulation and applicable policy. Collectively, the two organizations have the ability and expertise to ensure that all contracting actions are done properly, in compliance with all applicable law, regulation and policy and in the best interests of the taxpayer. GSA values greatly the support that it provides to DOD and the tremendous additional leverage that DOD adds to GSA's buying power on behalf of all agencies. DoD is committed to sound acquisition planning and to providing GSA with clear directions regarding what it wants acquired on its behalf. GSA is committed to ensuring that contracting actions done for and on behalf of DOD are of the highest quality, best value, and enhance DOD's abilities to achieve its mission while also providing for more effective and efficient acquisitions for the American people.

Attached is an Action Plan that more specifically defines DoD and GSA's respective roles and responsibilities with regard to the agreements above. This chart may be modified periodically to update those roles and responsibilities without changing the agreements herein. A quarterly meeting will be held with DoD and GSA senior leadership to evaluate and address the effectiveness of this plan and identify emerging Interagency Acquisition issues.

	
Emily Murphy Chief Acquisition Officer General Services Administration	Shay D. Assad Director, Defense Procurement & Acquisition Policy, OUSD(AT&L) Department of Defense
Date: 12/6/2006	Date: 12/4/2006

**Action Items**

<b>Action</b>	<b>Date</b>	<b>MOA Item</b>
1. GSA will issue Acquisition Letter(s), supplements or Acquisition Alerts, as necessary, related to the final IG findings.	Begin: January 2007 and ongoing	1-11
2. GSA will develop video tape and on-line training for all GSA 1102s. Make available and leverage existing learning and job support assets on the GSA Center for Acquisition Excellence and integrate into DAU learning and job support assets and repositories as appropriate.	Begin: August 2006 Posting completed January 1, 2007	1-11
3. GSA will use its Procurement Management Reviews (PMRs) to review and identify deficiencies and areas of weakness as identified in DoD and GSA IG reports, and the GSA CAO will issue a PMR Items of Interest memo to the FAS Commissioner, copy to the relevant GSA Regional Administrators.	Begin: January 2007 and ongoing	1-10
4. DoD will use the Intradepartmental Task Force on Interagency Acquisitions (AT&L, DUSD(C)), established in May 2006, to evaluate the IPR, MIPR process. Report findings and recommend corrective actions as necessary.	Complete: March 2007	1-12
5. DoD will revise DoD Instruction 4000.19 "Interservice and Intragovernmental Support" (August 9, 1995) as necessary.	Complete: September 2007	
6. DoD USD AT&L will issue a policy memorandum to require a DoD contracting officer review of each acquisition greater than \$500,000 is to be placed on contract by a non-DoD contracting officer (effective January 2006).	Complete: December 2006	10-12
7. DoD USD AT&L will issue a policy memorandum establishing the DoD policy on contract administration roles and responsibilities when purchasing goods or services through non-DoD agencies.	Complete: February 2007	1-4, 6-9
8. DoD/DAU will evaluate and revise existing course materials as necessary on bona fide need, appropriation law, and proper acquisition planning, and contract administration for assisted acquisitions	Complete: June 2007	7, 8, 12
9. GSA and DoD will jointly issue a memorandum to emphasize proper acquisition planning when the Department utilizes contract vehicles of GSA or contract support provided by GSA to DoD.	Complete: February 2007	10
10. GSA and DoD will jointly develop standardized content for Interagency Agreements. Special emphasis areas will include: <ul style="list-style-type: none"> <li>• Identified roles and responsibilities of DoD and GSA</li> <li>• Justification for sole source procurements</li> <li>• Quality assurance surveillance plans</li> <li>• Statements of work requirements</li> <li>• Fair and reasonable price determination</li> <li>• Funding oversight/management, including the timely deobligation of excess funds.</li> </ul>	Begin: January 2007 Complete: March 2007	1-4, 6-9, 12, 13, 21
11. GSA and DoD will execute a Memorandum of Agreement (MOA) between DoD and GSA that establishes specific roles and responsibilities for interagency acquisitions	Complete: December 2006	
12. GSA and DoD will allow DoD access to GSA's Acquisition Planning Wizard etool	Complete: February 2007	

Attachment

Action Items

Action	Date	MOA Item
13. GSA will conduct comprehensive training for the Regions.	Begin: January 2007	18
14. GSA will commence standardized quarterly data reporting to DoD (First quarter FY 2007 data), inclusive of fees paid (value added proposition) by DoD to GSA.	Begin: April 2007 and ongoing	14, 17, 19 and 20
15. GSA will perform comprehensive review of targeted GSA schedules to ensure competitive market pricing has been established.	Begin: January 2007 Complete September 2007	13
16. GSA will perform follow-on review of compliance with DoD competition requirements, including Section 803 2002 NDAA.	Begin: February 2007 and ongoing	15
17. DoD USD AT&L will issue a policy memorandum establishing the DoD policy on roles and responsibilities related to the proper capture of past performance information in the federal past performance data base (Past Performance Information Retrieval System) (PPIRS)	Complete: January 2007	16
18. DoD will issue a memorandum to: <ul style="list-style-type: none"> <li>• emphasize the need to use “performance based” requirements to the maximum extent possible</li> <li>• emphasize holding contractors accountable for non-performance and</li> <li>• emphasize the need to deobligate funds in a timely manner.</li> </ul>	Complete: January 2007	16, 17, 21
19. GSA and DoD will conduct collaborative training in all GSA Regions	Begin: June 2007	18
20. GSA and DoD will collaborate on all policy memos, Acquisition Letter, Alerts, training and related guidance as related to Interagency Acquisitions (IA)	Begin: November 2006 and ongoing	22
21. FAI and DAU will identify and make available performance-based acquisition training and education opportunities and related collaborative resources	Begin: January 2007 and ongoing	17
22. Conduct monthly DoD and GSA meetings to evaluate and address the effectiveness of this plan and identify emerging Interagency Acquisition issues	Begin: August 2006 and ongoing	22
23. Jointly develop standardized reporting requirements outside of FPDS-NG.	Begin: January 2007 Complete: March 2007	19
24. GSA commences standardized quarterly data reporting to DoD (to include OSD Comptroller) inclusive of uncommitted fund balances, amounts obligated, amounts expended, and expired funds.	February: 2007 and ongoing	20-21

Attachment

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX C**

**Deficiencies Identified and Applicable Criteria**

The deficiencies outlined below are not inclusive of all issues found during our review of the Client Support Centers. For specifics on all deficiencies, refer to the regional reports included as Appendices D through H.

Deficiency Identified	Criteria	Explanation and Applicability
Inadequate Competition: Request for Proposal (RFP) Timeframe was Unreasonably Limited	Federal Acquisition Regulation (FAR) 16.505	This FAR citation requires fair opportunity for multiple award contracts. A limited time period to respond to the RFP provides an advantage to the incumbent.
Missing Interagency Agreements	June 6, 2008 Office of Federal Procurement Policy (OFPP) Memorandum, "Improving the Management and Use of Interagency Acquisitions"	This memorandum emphasizes the importance of clear lines of responsibility between the agencies entering into an interagency acquisition. The responsibilities of each party must be described in an interagency agreement.
Incomplete Acquisition Plans	FAR 7.105	This FAR citation outlines the required contents of written acquisition plans.
Improper Payment of Invoices	FAR 52.232-3	This FAR citation states that the Government shall pay the contractor for services performed.
Unsupported Independent Government Cost Estimates (IGCEs)	FAR 8.405-2	This FAR citation requires a determination that the total price is fair and reasonable. An unsupported IGCE should not be relied upon to support fair and reasonable pricing.
Inadequate Price Reasonableness Determinations: No Best Value Determination	FAR 8.404, FAR 8.405-2	These FAR citations require a price evaluation concluding that an order represents best value and results in the lowest overall cost alternative to meet the Government's needs.
Inadequate Price Reasonableness Determinations: Level of Effort/Labor Mix Not Evaluated	FAR 8.405-2	This FAR citation requires an evaluation of the level of effort and the mix of labor proposed to perform a specific task in order to determine price reasonableness.
Incomplete Interagency Agreements	June 6, 2008 OFPP Memorandum, "Improving the Management and Use of Interagency Acquisitions"	This memorandum outlines the requirements of an interagency agreement.
General Documentation Deficiencies	FAR 4.801	This FAR citation requires the documentation in the task order file to constitute a complete history of the transaction.

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX D**

**Mid-Atlantic Region Final Report**



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
MID-ATLANTIC REGION  
REPORT NUMBER A090139/Q/3/P10003

JUNE 4, 2010

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Office of Inspector General

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June 4, 2010

Reply to: Ines E. Bloom  
Attn of: Audit Manager, Mid-Atlantic Regional Field Audit Office (JA-3)

Subject: Review of the Federal Acquisition Service's Client Support Center –  
Mid-Atlantic Region  
Report Number A090139/Q/3/P10003

To: Linda C. Chero, Regional Commissioner, Federal Acquisition Service,  
Mid-Atlantic Region (3Q)

### **Background**

This report presents the results of the Office of Inspector General's audit of the Federal Acquisition Service (FAS) Client Support Center in the Mid-Atlantic Region (Mid-Atlantic CSC). As directed in The National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, the Inspectors General of the U.S. Department of Defense (DoD) and General Services Administration (GSA) are to report whether GSA is or is not complying with laws and regulations applicable to DoD procurements.

### **Objective, Scope, and Methodology**

Our objective was to assess whether the policies, procedures, and internal controls of the Mid-Atlantic CSC are administered in a manner compliant with the Federal Acquisition Regulation (FAR) and defense procurement requirements.

To accomplish our objective, we analyzed 2 stratified random samples of procurement actions for services greater than \$100,000 executed between the dates of June 1, 2008 and March 31, 2009; and April 1, 2009 and September 30, 2009, respectively. For those same time periods, we also analyzed two judgmental samples of modifications placed against existing procurement actions. For the Mid-Atlantic CSC, our samples included 16 new awards valued at \$31.2 million and 4 modifications to existing orders valued at \$31.9 million.

We conducted the performance audit from July 2009 through January 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results of Audit

Overall, we found the Mid-Atlantic CSC compliant with the FAR and DoD procurement requirements<sup>1</sup>. We noted that the Region has implemented national controls to improve its overall contracting practices. However, we identified minor deficiencies that present an opportunity for improvement in the task order award and administration processes, as well as in file documentation.

### Minor Deficiencies – Task Order Award and Administration

During our review, we identified instances not conforming to prescribed task order award and administration practices, most of which were isolated, including:

- Fifteen instances of inadequate Independent Government Estimates (IGEs). These issues included IGEs that did not contain dates and/or signatures, did not adequately support the basis of the numbers, or a combination of both. We understand that specific requirements for the preparation of an IGE do not exist; however, when the IGE is used to evaluate price reasonableness of a task order, the contracting officer should be cognizant of the basis for the amounts contained in the IGE. The importance of adequate IGEs is heightened in situations where there is only one offeror or when the contracting officer is relying solely on the IGE for the price reasonableness determination. As we have stated in past reviews, evidence of the preparer and date of preparation should be included to validate that the estimate was, in fact, independently prepared.
- One instance of inadequate support for price reasonableness. Evaluations of the proposed labor mix and level of effort were not adequately supported/documented in the task order file. As required by FAR 8.405-2, the ordering activity should evaluate the level of effort and the mix of proposed labor for the task being ordered, and determine that the total price is reasonable.
- One instance in which a task-specific Quality Assurance Surveillance Plan (QASP) was not prepared. In accordance with FAR 46.401, a QASP should be prepared in conjunction with the statement of work and should specify all work requiring surveillance and the method of surveillance. After bringing this to the attention of the CSC, it took action to create a more comprehensive QASP for inclusion within each file for task orders awarded under the umbrella Blanket Purchase Agreement. To ensure proper surveillance of task order performance, the Mid-Atlantic CSC needs to continue to ensure that QASPs are completed and are timely for all task orders.
- One instance of contractor performance that was below standards established in the task order. After identifying this issue, we notified the Mid-Atlantic CSC of the

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<sup>1</sup> For the purposes of this audit report, we will be reporting on the issues that have been determined to be within the responsibility of FAS. The DoD Office of Inspector General will be reporting on those issues that are attributable to the DoD under separate cover.



situation. The CSC then pursued a refund from the contractor that was applied to the next annual invoice.

#### Minor Deficiencies – File Documentation

During our review, we also noted isolated instances of inadequate file documentation, including:

- One instance in which a Determination and Finding was unsigned and undated.
- One instance in which documentation evidencing the evaluation of vendor performance against performance metrics was not included in the file.
- Six instances in which documentation regarding contract administration/performance monitoring was maintained outside of the task order file without any references to the location where that documentation could be found.

In accordance with FAR 4.8, the documentation in the files shall contain all contractual actions and shall be sufficient to constitute a complete history of the transaction. In an effort to document and fully support all contracting actions taken on a specific task, the Mid-Atlantic CSC needs to ensure that contract files contain all required documentation.

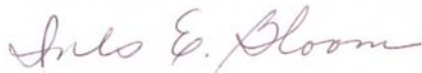
#### **Management Comments**

On May 24, 2010, the Regional Commissioner of the Mid-Atlantic Region concurred with this report. Management's written comments are included in their entirety as Appendix A.

#### **Internal Controls**

We assessed the internal controls relevant to the Mid-Atlantic CSC procurements to assure that they were made in accordance with the FAR, DoD procurement requirements, and the terms and conditions of the contracts utilized. The Mid-Atlantic CSC needs to continue its commitment to effective controls over procurement processes.

If you have any questions regarding this report, please contact me at (215) 446-4844.



Ines E. Bloom  
Audit Manager  
Mid-Atlantic Region

Attachments

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
MID-ATLANTIC REGION  
REPORT NUMBER A090139/Q/3/P10003

MANAGEMENT COMMENTS



GSA Mid-Atlantic Region

MAY 24, 2010

MEMORANDUM FOR: GLENN D. MERSKI  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
MID-ATLANTIC REGIONAL FIELD AUDIT OFFICE  
(JA-3)

FROM: LINDA C. CHERO *Linda C. Chero*  
REGIONAL COMMISSIONER  
MID-ATLANTIC REGION (30)

SUBJECT: REVIEW OF THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER - MID-ATLANTIC REGION  
REPORT NUMBER A090139-2

The Federal Acquisition Service (FAS) Client Support Center in the Mid-Atlantic Region (Mid-Atlantic CSC) concurs with submitted report.

In addition the CSC has proactively taken actions to address the noted minor deficiencies. In efforts to improve overall contracting practices, the CSC has provided training on the topics of contract administration, appropriate file documentation and also the mechanics of inputting performance information to the Contractor Performance System (CPS).

If you require further assistance with respect to this audit report, please contact Mr. Stephen Gervasi at 215-446-5819.

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Philadelphia, PA 19107-5191  
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REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
MID-ATLANTIC REGION  
REPORT NUMBER A090139/Q/3/P10003

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Assistant Inspector General for Investigations (AIGI)	1
Deputy Assistant Inspector General for Acquisition Audits Program Office (JA-A)	1
Director, Acquisition Management Division (3PQ)	1

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX E**

**Southeast Sunbelt Region Final Report**

REVIEW OF THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
SOUTHEAST SUNBELT REGION  
REPORT NUMBER A090139/Q/4/P10004

June 4, 2010



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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Date: June 4, 2010

Reply to: Elizabeth Telo  
Attn of: Audit Manager, Southeast Sunbelt Region Field Audit Office (JA-4)

Subject: Review of the Federal Acquisition Service's Client Support Center –  
Southeast Sunbelt Region  
Report Number A090139/Q/4/P10004

To: William A. Sisk, Regional Commissioner, Federal Acquisition Service (4Q)

### **Background**

This report presents the results of the Office of Inspector General's audit of the Federal Acquisition Service (FAS) Client Support Center in the Southeast Sunbelt Region (Southeast Sunbelt CSC). As directed in The National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, the Inspectors General of the U.S. Department of Defense (DoD) and General Services Administration (GSA) are to report whether GSA is or is not complying with laws and regulations applicable to DoD procurements.

### **Objective, Scope, and Methodology**

Our objective was to assess whether the policies, procedures, and internal controls of the Southeast Sunbelt CSC are administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements.

To accomplish our objective, we analyzed 2 stratified random samples of procurement actions for services greater than \$100,000 executed between June 1, 2008 and March 31, 2009; and April 1, 2009 and September 30, 2009, respectively. For those same time periods, we also analyzed 2 judgmental samples of modifications placed against existing procurement actions. For the Southeast Sunbelt CSC, our samples included 16 new awards valued at \$43 million and 4 modifications to existing orders valued at \$36.9 million.

We conducted the audit from July 2009 through March 2010 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results of Audit

Overall, we found the Southeast Sunbelt CSC compliant with the FAR and Defense procurement requirements<sup>1</sup>. We noted that the Region has implemented national controls to improve its overall contracting practices. However, we identified minor deficiencies that present an opportunity for improvement in the task order award and administration processes.

### Minor Deficiencies – Task Order Award

During our review, we identified isolated instances of improper task order award practices, including:

- One instance in which a Time and Materials (T&M) task order did not have a ceiling price. In accordance with FAR 16.6, a T&M task order may only be used if the contract includes a ceiling price that the contractor exceeds at his own risk. Given that a T&M task provides no positive profit incentive to the contractor for cost control or labor efficiency, the Southeast Sunbelt CSC should ensure that all T&M task orders include a ceiling price to manage this risk.
- One instance in which the task-specific Interagency Agreement (IA) was not signed by FAS officials prior to task order award date. Per the IA, the agreement becomes effective when signed by both the FAS and the Client. The Southeast Sunbelt CSC should be diligent in ensuring that all required elements, including signatures, are part of IAs.
- One instance in which the Independent Government Estimate (IGE) was not independently prepared. The IGE found in the task order file was the same as the contractor's proposal. This was a sole source task order, and the Determinations and Findings stated that the determination of price reasonableness was based upon comparison to the IGE. Given that the IGE was not independent and was used as the only basis of price reasonableness, there is no assurance that the task order price was fair and reasonable. The Southeast Sunbelt CSC should ensure that all IGEs used to evaluate price reasonableness are independent.
- One instance in which the winning proposal priced three labor rates over the GSA schedule rates. These higher rates were then used for billing, resulting in the Government being overcharged for the services. In accordance with FAR 8.404, schedule rates are already determined to be fair and reasonable by GSA. Therefore, in using rates above schedule rates, there is no assurance the price is fair and reasonable. The Southeast Sunbelt CSC should ensure that all price

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<sup>1</sup> For the purposes of this audit report, we will be reporting on the issues that have been determined to be within the responsibility of FAS. The DoD Office of Inspector General will be reporting on those issues that are attributable to the DoD under separate cover.

proposals are evaluated thoroughly and that proposed labor rates are compared to negotiated contract rates.

- Three instances in which improper General and Administrative (G&A) expenses were accepted. Although the Performance Work Statements explicitly stated that G&A expenses were not allowed, proposals including G&A were accepted and invoices including G&A were paid. In all three cases, this resulted in modifications being issued to clarify requirements. The Southeast Sunbelt CSC should ensure that all proposals are evaluated based on requirements in the solicitation documents to ensure that only allowable costs are included.

#### Minor Deficiencies – Task Order Administration

During our review, we identified isolated instances of improper task order administration practices, including:

- One instance in which the task order did not contain a Contracting Officer Technical Representative (COTR) training certificate. By memorandum dated November 26, 2007, all COTRs appointed after the effective date are required to attain certification no later than six months from their date of appointment. To ensure that proper contract administration occurs, a COTR should be assigned and trained to perform his or her duties in a timely manner.
- One instance in which travel was invoiced as a lump sum rather than an itemized cost and charged a higher than approved G&A rate. Per the task order's Performance Work Statement, charges shall be identified by a narrative description of the services performed and travel shall be itemized by individual and trip. Presenting the travel and ODCs as a lump sum does not allow the person accepting the invoice to determine the basis for the billed costs and confirm that the amounts are correct based on the services performed. The contractor credited the overcharge amount to the government in the following invoice. Contractors' invoices should be thoroughly reviewed prior to acceptance to ensure that pricing is in accordance with the proposal and that the documentation supports the costs incurred in conjunction with the specific tasks and terms and conditions of the contract.

#### **Management Comments**

On May 26, 2010, the Regional Commissioner of the Southeast Sunbelt Region concurred with this report. Management's written comments are included in their entirety as Appendix A.

#### **Internal Controls**

We assessed the internal controls relevant to the Southeast Sunbelt CSC procurements to assure that they were made in accordance with the FAR, Defense procurement

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
SOUTHEAST SUNBELT REGION  
REPORT NUMBER A090139/Q/4/P10004

MANAGEMENT COMMENTS



GSA Southeast Sunbelt Region

May 26, 2010

MEMORANDUM FOR JAMES D. DUERRE  
REGIONAL INSPECTOR GENERAL FOR AUDITING  
SOUTHEAST SUNBELT REGION FIELD AUDIT  
OFFICE (JA-4)

FROM: WILLIAM A. SISK *W. A. Sisk*  
REGIONAL COMMISSIONER (4Q)

SUBJECT: Review of the Federal Acquisition Service's  
Client Support Center - Southeast Sunbelt Region  
Report Number A090139-3

Thank you for the opportunity to review the subject audit report. The findings presented in this and earlier reports continue to be helpful in ensuring that management controls and tests of controls are adequate to provide assurances that our Client Support Centers (CSC) are conducting procurements in accordance with Federal Acquisition Regulations (FAR) and contract terms and conditions.

We concur with the findings of the audit and while we remain fully committed to strengthening existing controls and implementing new controls when needed. We are pleased that the audit team acknowledged that recently implemented national controls were effective in improving our procurement process and compliance with the FAR.

Again, we appreciate the opportunity to review this important audit. Your findings affirm that our team has had success in implementing and adhering to management controls to assure that CSC acquisition processes are appropriate and compliant with the FAR and contract terms and conditions. Prompt implementation of additional controls to address the audit findings is vital to

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REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
SOUTHEAST SUNBELT REGION  
REPORT NUMBER A090139/Q/4/P10004

MANAGEMENT COMMENTS

- 2 -

assure that we continue to move forward with best practices that may be useful to other regions which will assure compliance with the FAR and other requirements of our contracts without adverse impact on service delivery to our clients.

A-2

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
SOUTHEAST SUNBELT REGION  
REPORT NUMBER A090139/Q/4/P10004

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REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX F**

**Greater Southwest Region Final Report**

**GENERAL SERVICES ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL**

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REVIEW OF THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
GREATER SOUTHWEST REGION  
REPORT NUMBER A090139/Q/7/P10006  
June 7, 2010





U.S. General Services Administration  
Office of Inspector General

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Date: June 7, 2010

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

Subject: Review of the Federal Acquisition Service's  
Client Support Center  
Greater Southwest Region  
Report Number A090139/Q/7/P10006

To: George R. Prochaska  
Regional Commissioner  
Federal Acquisition Service (7Q)

### **Background**

This report presents the results of the Office of Inspector General's audit of the Federal Acquisition Service (FAS) Greater Southwest Region Client Support Center (Greater Southwest CSC). As directed in the National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, the Inspectors General of the United States Department of Defense (DoD) and General Services Administration (GSA) are to report whether GSA is complying with laws and regulations applicable to DoD procurements.

### **Objective, Scope, and Methodology**

Our objective was to assess whether the policies, procedures, and internal controls of the Greater Southwest CSC are administered in a manner compliant with the Federal Acquisition Regulation (FAR) and DoD procurement requirements.

To accomplish our objective, we analyzed two stratified random samples of procurement actions for services greater than \$100,000 executed between June 1, 2008 and March 31, 2009; and April 1, 2009 and September 30, 2009, respectively. For those same time periods, we also analyzed two judgmental samples of modifications placed against existing procurement actions. For the Greater Southwest CSC, our samples included 16 new awards valued at \$22.9 million and 4 modifications to existing orders valued at \$17.4 million.

819 Taylor Street, Fort Worth TX 76102

**Report Number A090139/Q/7/P10006**

We conducted the audit from July 2009 through March 2010 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

**Results of Audit**

Overall, we found the Greater Southwest CSC compliant with the FAR and DoD procurement requirements<sup>1</sup>. We noted that the Greater Southwest CSC has implemented national controls to improve its overall contracting practices. However, we identified minor deficiencies that present an opportunity for improvement in the task order award and administration processes, as well as in file documentation.

Minor Deficiencies – Task Order Award and Administration

During our review, we identified isolated instances of improper task order award and administration practices, including:

- One instance of an improper execution of an option year modification. A task order awarded by the U.S. Department of Veterans Affairs was transferred to the Greater Southwest CSC. The transferred contract file was missing several documents, including a best value determination. Although there was not any evidence in the contract file that a best value determination was made on the original task order, the Greater Southwest CSC exercised the third option year with increased labor costs. In accordance with FAR 17.207, options cannot be exercised unless pricing is evaluated as part of the ordering office's best value determination. In addition, Greater Southwest CSC personnel could not provide support for the increase in labor costs for this option year. Therefore, there is no assurance that exercising the option was in the Government's best interest. Even though the Greater Southwest CSC did not award the task order, the Greater Southwest CSC has a responsibility to ensure that any procurement actions after the transfer of a task order are proper.
- One instance of inadequate support for price reasonableness. A modification to an existing task order added a labor category not included in the original task order. At the time of the modification, the level of effort for this task order was not re-evaluated; therefore, the price for the additional labor category was not determined to be fair and reasonable. Per FAR 8.405-2(d), the ordering activity is responsible for considering the level of effort and the mix of labor proposed to perform a specific task, and for determining that the total price is reasonable.

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<sup>1</sup> For the purposes of this audit report, we will be reporting on the issues that have been determined to be within the responsibility of FAS. The DoD Office of Inspector General will be reporting on those issues that are attributable to the DoD under separate cover.

**Report Number A090139/Q/7/P10006**

Although price reasonableness was determined at the time of award, the Greater Southwest CSC needs to ensure that any labor categories added by modification are also found to be fair and reasonable.

- One instance of not evaluating proposals in accordance with the evaluation factors stated in the Statement of Work (SOW). According to FAR 8.405-2(d), the ordering activity shall evaluate all proposals using the evaluation criteria provided to the contractors. In order to ensure that all contractors' bid proposals are fairly evaluated based upon previously stated criteria, the Greater Southwest CSC should use the evaluation factors outlined in the solicitation.
- Four instances in which Quality Assurance Surveillance Plans (QASPs) were not prepared and one instance in which a QASP was delivered 8 months after the task order award date. In accordance with FAR 46.401, a QASP should be prepared in conjunction with the SOW and incorporated into the task order file to ensure the Government receives the services for which it has paid. To ensure proper surveillance of task order performance, the Greater Southwest CSC needs to be more diligent in ensuring that QASPs are completed timely for all task orders.
- Two instances in which invoices were not in line with the proposal. In one instance, a 0.5 percent discount negotiated at the time of award was not reflected on the invoices reviewed. In another instance, invoices included billings for labor categories not proposed on either the original task order or the modification. The Greater Southwest CSC should thoroughly review and approve invoices prior to payment to ensure that pricing is in accordance with the proposal, and that the documentation supports the costs incurred in conjunction with the specific tasks and terms and conditions of the contract.
- One instance in which the required steps for accepting funds were not taken. The type of requirement (severable services) was not listed on the funding document and Part B of the Interagency Agreement was not in the contract file. In accordance with GSA Acquisition Letter V-08-04, when accepting funds under an Interagency Agreement, the type of requirement is required. Interagency Agreements outline the general and specific terms and conditions to govern the relationship between the servicing and requesting agencies, and procurement policy dictates what elements need to be included. To ensure quality-assisted acquisitions, the Greater Southwest CSC should ensure that all task orders have an Interagency Agreement and that those agreements include all required elements.

Minor Deficiencies – File Documentation

During our review, we also noted isolated instances of inadequate file documentation, including:

**Report Number A090139/Q/7/P10006**

- Three instances of missing documentation to support additional discounts were requested for task orders exceeding the maximum order threshold.
- Two instances in which task order Contracting Officer Representative (COR) designation letters were not dated and one instance in which there was no COR designation letter found in the file.
- One instance in which a task order file did not include documentation that the total price was fair and reasonable.

In accordance with FAR 4.801, the documentation in the files shall contain all contractual actions and shall be sufficient to constitute a complete history of the transaction. In an effort to document and fully support all contracting actions taken on a specific task, the Greater Southwest CSC needs to ensure that contract files contain all required documentation.

**Management Comments**

On May 24, 2010, the FAS Regional Commissioner of the Greater Southwest Region responded to this report with acknowledgement of the issues and actions that have been taken to prevent similar instances. Management's written comments are included in their entirety as Appendix A.

**Internal Controls**

We assessed the internal controls relevant to the Greater Southwest CSC procurements to ensure the procurements were made in accordance with the FAR and the terms and conditions of the contracts utilized. The Greater Southwest CSC needs to continue its commitment to effective controls over procurement processes.

If you have any questions regarding the report, please contact me at (817) 978-2571.



Grace D. McIver  
Audit Manager  
Greater Southwest Region (JA-7)

Attachments

Report Number A090139/Q/7/P10006

**REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
GREATER SOUTHWEST REGION**

**APPENDIX A**

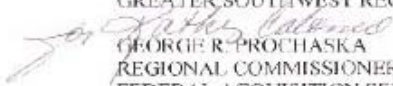
**Management Comments**



GSA Greater Southwest Region

May 24, 2010

MEMORANDUM FOR: RODNEY J. HANSEN  
REGIONAL INSPECTOR GENERAL FOR  
AUDITING  
GREATER SOUTHWEST REGION (JA-7)

FROM:   
GEORGE R. PROCHASKA  
REGIONAL COMMISSIONER  
FEDERAL ACQUISITION SERVICE (7Q)

SUBJECT: REGIONAL RESPONSE TO THE GSA IG  
REVIEW OF THE FEDERAL ACQUISITION  
SERVICE'S CLIENT SUPPORT CENTER  
GREATER SOUTHWEST REGION  
REPORT NUMBER A090139-7

Attached please find Federal Acquisition Service's comments to subject review.

Thank you for your thorough review of our task order files and constructive comments. If you have any questions with regard to this response, please direct your inquiries to Jill LaDuca, Director of Acquisition Operations Division, at 817/574-4333.

Attachment

U.S. General Services Administration  
335 Taylor Street  
Fort Worth, TX 76102-4140  
www.gsa.gov



REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
GREATER SOUTHWEST REGION

**APPENDIX A**

**Management Comments**

Thank you for the opportunity to respond to the draft report.

We have a few comments relative to the minor deficiencies found:

Minor Deficiencies – Task Order Award and Administration

- We acknowledge the one instance of the improper execution of an option year modification was for a task order that the Greater Southwest CSC took over contract administration from the Department of Veterans Affairs (VA) as noted in the report. This task order was one of many that were transferred to GSA, and we did review the files before agreeing to the transfer. We accepted the files with the understanding that VA was to provide us with additional documentation in a digital form which they did not. We do recognize that with the transfer of the file to GSA, we assumed the responsibility for all prior and future contract actions. Because of the high risk inherent with assuming a contract file from another agency, we will no longer accept task orders/contracts in this manner. This is considered an isolated instance and we do not expect any further deficiencies of this type.
- We acknowledge the one instance of inadequate support for price reasonableness when adding a labor category not included in the original task order by modification. To add a labor category after award is rare. We have added a "tickler" to our Task Order Content Review Checklist for Tab 12 "Modifications (SF30) and Backup Info" to remind our staff to document the files appropriately.
- We would like to clarify the deficiency noted in the one instance of not evaluating proposals in accordance with the evaluation factors stated in the Statement of Work (SOW). We would like to clarify that the proposal was evaluated in accordance with the SOW; however, we do note that there was a discrepancy between the stated evaluation factors in the SOW and the stated evaluation factors in the vendor selection or evaluation plan. The vendor selection plan did not include "Key Personnel" factors but those factors were in the SOW. The technical evaluation team attempted to address the "Key Personnel" factor as was advertised in the SOW. It was noted that the documentation to support this factor was only addressed by one member of the team, the project manager, and there was no rating for this factor. However, there was only one offeror who responded to this requirement, EWA, and EWA's offer was clearly acceptable and proposed pricing was below the government estimate. There was no negative impact or unfair evaluation to another vendor. To prevent any future recurrence and possible omission on our part to address a technical factor, a "Technical Evaluation" template has been developed and distributed to our staff. In addition, since this occurrence, we have had comprehensive training on development of evaluation factors and the process of evaluations, including an emphasis on consistency and documentation.

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
GREATER SOUTHWEST REGION

**APPENDIX A**

**Management Comments**

- Regarding the comments relative to preparation and inclusion of Quality Assurance Surveillance Plans (QASPs), we are in the process of modifying our guidance regarding QASP's, more specifically Acquisition Alert #21, to more clearly address the process for including a QASP in a task order. We are also planning a QASP training session. It should be noted that FAR 46.401, states that a QASP should be prepared in conjunction with the SOW; however, it is not required. Our goal is to include a QASP in the SOW or PWS when it is sent out for proposals, and the QASP will be then finalized before award.
- Regarding the two invoice findings, we have taken corrective action for these errors. The Contracting Officer has communicated with the vendor on the .05 discount billing error and the labor rates have been adjusted to reflect the correct rates. On the other billing error regarding the labor category which was not a part of the initial award/modification, we have added the LCAT Programmer IV to the task to ensure billing matches the task order. We have also hired additional resources and set up an invoice review team to ensure proper payment of all invoices.
- We acknowledge one instance in which the type of requirement (severable services) was not listed on the funding document and that Part B of the Interagency Agreement was not in the contract file. This is considered an isolated instance. The Interagency Agreement (IA) went through several versions and required numerous clarifications on the exact form and implementation before the current accepted IA's forms were in place. We have had training and removed prior guidance and versions to eliminate the confusion in this area. We have also designated certain individuals in our organization to accept funding and review the IA's before acceptance to ensure compliance with current policy in this area.

Minor Deficiencies – File Documentation

We acknowledge that there may have been isolated instances of inadequate file documentation. We have taken steps to emphasize the need for documentation in the three areas noted: 1) requesting additional discounts for task orders exceeding the schedule maximum order threshold, 2) Contracting Officer Representative (COR) designation letters, (please note that we do maintain a central file, apart from the task order files, for COR delegations for the GSA Project Managers so there is a COR delegated to every task order that we award) and 3) fair and reasonable determination of total price.

Report Number A090139/Q/7/P10006

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
GREATER SOUTHWEST REGION

**APPENDIX B**

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**Report Distribution**

Regional Commissioner, Greater Southwest Region (7Q).....	1
Acting Commissioner, Federal Acquisition Service (Q).....	1
Inspector General, Office of Inspector General (J).....	4
Assistant Inspector General for Auditing (JA).....	2
Director, Audit Planning, Policy, and Operations (JAO) .....	1
Deputy Assistant Inspector General for Acquisition Audits (JA-A) .....	1
Assistant Inspector General for Investigations (JI).....	1
Special Agent in Charge (JI-7) .....	1
Branch Chief, Internal Control and Audit Division (BEI) .....	1

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX G**

**Pacific Rim Region Final Report**

REVIEW OF  
THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
PACIFIC RIM REGION  
REPORT NUMBER A090139/Q/9/P10008  
JUNE 21, 2010



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

---

Date: June 21, 2010

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

Subject: Review of the Federal Acquisition Service's Client Support Center  
Pacific Rim Region  
Report Number A090139/Q/9/P10008

To: John W. Boyan, Regional Commissioner (9Q)

### **Background**

This report presents the results of the Office of Inspector General's audit of the Federal Acquisition Service (FAS) Client Support Center in the Pacific Rim Region (Pacific Rim CSC). As directed in The National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, the Inspectors General of the U.S. Department of Defense (DoD) and General Services Administration (GSA) are to report whether GSA is or is not complying with laws and regulations applicable to DoD procurements.

### **Objective, Scope, and Methodology**

Our objective was to assess whether the policies, procedures, and internal controls of the Pacific Rim CSC are administered in a manner compliant with the Federal Acquisition Regulation (FAR) and Defense procurement requirements.

To accomplish our objective, we analyzed two stratified random samples of procurement actions for services greater than \$100,000 executed between June 1, 2008 and March 31, 2009; and April 1, 2009 and September 30, 2009, respectively. For those same time periods, we also analyzed two judgmental samples of modifications placed against existing procurement actions. For the Pacific Rim CSC, our samples included 16 new awards valued at \$30.8 million and 4 modifications to existing orders valued at \$56.6 million.

We conducted this performance audit from July 2009 through March 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results of Audit

Overall, we found the Pacific Rim CSC compliant with the FAR and Defense procurement requirements<sup>1</sup>. We noted that the Region has implemented national controls to improve its overall contracting practices; however, we identified a potential Antideficiency Act violation. Additionally, we identified deficiencies that present an opportunity for improvement in the task order award and administration processes as well as in file documentation.

### Potential Antideficiency Act Violation

We identified one instance of a potential Antideficiency Act (ADA) violation on a DoD task order modification. The Pacific Rim CSC violated the bona fide needs rule by using expired funds to pay for goods and services received. The task order's period of performance consisted of a base period, three option years, and a six-month extension modification. Other direct costs (ODCs) were billed above the maximum ceiling value in the amount of \$102,032 for Option Year 3 and in the amount of \$259,914 for the extension modification. Residual funds from previous Fiscal Years (FYs) were used to cover these ODC overages.

Appropriated funds may be used only if there is a bona fide need for the requirement in the year the appropriations are available for obligation (Title 31 U.S.C. Section 1502(a)). Therefore, by using expired funds from previous FYs, the Pacific Rim CSC violated the bona fide needs rule. However, bona fide needs violations are correctable by replacing the incorrect FY funds with the correct FY funds, provided that the funds are available. This avoids an ADA violation and the associated reporting requirements of such a violation.

After we notified Pacific Rim CSC management of the bona fide needs issue in November 2009, they took action to remedy the situation by requesting replacement FY 2008 and FY 2009 funds from the client. The DoD client responded in December 2009 that additional funding would not be provided. Therefore, this remains a potential ADA violation in the amount of \$361,946 and the Pacific Rim CSC needs to take action to resolve this issue.

The Pacific Rim CSC acknowledges that effective procedures were not in place to track task order costs at the line item level to avoid billing over the maximum ODC ceiling. It is essential that the Pacific Rim CSC review its internal processes to ensure that similar instances do not occur.

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<sup>1</sup>For audit report purposes, we will be reporting on the issues that have been determined to be within the responsibility of FAS. The DoD Office of Inspector General will be reporting on those issues that are attributable to the DoD under separate cover.

### Task Order Award Deficiencies

During our review, we identified various deficiencies related to task order awards, including:

- One instance of inadequate justification for other than full and open competition of a bridge task order. This bridge task order was awarded as a follow-on to a previous task order, which could not continue because the Pacific Rim regional counsel (regional counsel) did not approve the fourth option year package. When regional counsel approved the third option year package, they noted that the legal review was requested at the last minute for the third consecutive year. In addition, they recommended that the acquisition strategy and project requirements be reconsidered for the task order and that the contracting officer perform a wholesale review of the project funding. Despite these recommendations, the Pacific Rim CSC exercised the third option period without taking any further action. With less than a week remaining in the third option period, the Pacific Rim CSC provided regional counsel with the fourth option year package, which was ultimately declined. The Pacific Rim CSC inadequately administered this task order and lack of planning did not allow ample time for competition of a new task order. The Pacific Rim CSC chose to award a sole-source bridge task order and in doing so, was required to provide a justification that exempted them from obtaining full and open competition for the new task. FAR Subpart 6.3 identifies the statutory authorities for contracting without providing for full and open competition. The Pacific Rim CSC's justification for not achieving full and open competition was only one responsible source and no other supplies and services would satisfy agency requirements. While this justification is allowed under FAR 6.3, it cannot be used on the basis of a lack of advance planning by Pacific Rim CSC. In order to ensure that task orders are properly managed and sufficient time and consideration is given to make effective procurement decisions, the Pacific Rim CSC should enhance its controls over task order administration.
- Two instances of inadequate competition. In both instances, the contracting officer did not provide a reasonable amount of time to allow interested contractors to prepare and submit bids in response to a solicitation. As a result, the government may not have received best value due to limited competition. In one instance, the solicitation for a \$3.8 million task order was open for only five business days. The client requested that the Pacific Rim CSC expedite the procurement to avoid a break in service. The incumbent contractor was the sole bidder and was ultimately awarded the task order. Despite the client's request, the Pacific Rim CSC should have provided contractors with a reasonable amount of time to respond to the requirement. In the other instance, the contracting officer allowed a task to expire and, in an effort to prevent a break in service, limited the response time for submitting bid proposals for a follow-on task order. There is evidence in the official file that shows two contractors were discouraged



from further participating in the proposal process because of the limited timeframe to award the task order. Additionally, to be considered for the task order, contractors were required to possess a specific authorization, which the incumbent already had; therefore, providing this contractor with an advantage over other interested parties. Ultimately, the incumbent was awarded the task order. In both instances, the competitive environment was negatively affected due to the restricted time frames imposed by the contracting officers. The Pacific Rim CSC should strive to facilitate a competitive environment for all task order awards, and provide a fair opportunity to all eligible contractors.

- Thirteen instances of missing or inadequate interagency agreements. Two task orders did not have interagency agreements. In addition, there were eleven instances of inadequate interagency agreements. In these cases, an agreement was deemed inadequate if required elements were missing, if it was signed after task order award, or if it included incorrect task order information. The required elements of an interagency agreement are specified in GSA acquisition letters and Office of Federal Procurement Policy guidance. Interagency agreements outline the general and specific terms and conditions to govern the relationship between the servicing and requesting agencies, and procurement policy dictates what elements needs to be included. To ensure quality assisted acquisitions, the Pacific Rim CSC should ensure that all task orders have an interagency agreement and that those agreements include all required elements.
- Ten instances of inadequate acquisition plans. Acquisition plans were determined to be inadequate if the plans were untimely, not dated, in draft format, missing required elements, or missing required approval signatures. FAR Subpart 7.102(b) states that agencies must perform acquisition planning and conduct market research for all acquisitions and FAR Subpart 7.105 outlines the required contents of written acquisition plans. To ensure that proper acquisition planning is taking place, the Pacific Rim CSC should ensure that all acquisition plans go through the appropriate approval channels and incorporate all required elements.
- Six instances of inadequate Independent Government Estimates (IGEs). Pertinent information, such as the name/signature of the preparer and the date prepared, were missing from the IGEs. Additionally, in some cases there was not adequate support in the official file to determine the basis used for developing the IGE. We understand that specific requirements for the preparation of an IGE do not exist; however, in order to determine that the estimate was independently prepared, dates and signatures should be included on the document. Further, when the IGE is used to evaluate price reasonableness of a task order, the contracting officer should be cognizant of the basis for the amounts contained in the IGE. The importance of this is heightened in situations where there is only one offeror or when the contracting officer is relying solely on the IGE for the price reasonableness determination.



- Three instances in which IGEs were not independently prepared. One IGE was prepared by the contractor and two IGEs were prepared using the winning contractor's proposal. In all three instances, Pacific Rim CSC personnel received the IGE from the client and were not aware that the client did not prepare the IGE independently. This reaffirms the importance of preparer information being included on the IGE. Additionally, any other information that helps establish the methodology used to develop the estimate would be beneficial for contracting personnel. When accepting IGEs from the client, the Pacific Rim CSC needs to ensure that it has sufficient information to fully understand the IGE and its components.
- Six instances of inadequate price reasonableness determinations. In three instances, an evaluation of labor mix or level of effort was not performed. For the remaining three, ODCs were not evaluated as part of the task order price. Per FAR 8.405-2(d), the ordering activity is responsible for considering the level of effort and the mix of labor proposed to perform a specific task, and for determining that the total price is reasonable. In addition, per FAR 8.402, items such as ODCs, which are not on the Multiple Award Schedule<sup>2</sup>, can only be added if the contracting officer has determined that the price is found to be fair and reasonable for those items. To ensure that FAS is providing its customers with best value procurements, the Pacific Rim CSC should thoroughly evaluate the price reasonableness for each element of a task order.
- Four instances in which Quality Assurance Surveillance Plans (QASPs) were delivered late and one instance in which a QASP was not prepared. In accordance with FAR 46.401, a QASP should be prepared in conjunction with the statement of work and incorporated into the task order file to assure that the government receives the services for which it has paid. To ensure proper surveillance of task order performance, the Pacific Rim CSC needs to be more diligent in ensuring that QASPs are completed timely for all task orders.
- One instance in which the Contracting Officer's Representative (COR) was not properly certified. Although the COR was designated on April 1, 2008, she was not certified until February 13, 2009, 10 months after appointment. Per an Office of Management and Budget (OMB) memorandum dated November 26, 2007, all CORs appointed after that date are required to attain certification no later than six months from their date of appointment. Additionally, this particular COR improperly authorized payment of an invoice for services not received (see Task Order Administration section, page 7); therefore, she did not fulfill one of her COR responsibilities as outlined in the COR designation. To ensure that proper

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<sup>2</sup>The Multiple Award Schedule program is directed and managed by GSA and provides Federal agencies with a simplified process for obtaining commercial supplies and services at prices associated with volume buying.

contract administration occurs, a COR should be properly certified in accordance with OMB policy.

- One instance of awarding a task order with options against the recommendation of regional FAS management. A Pacific Rim Region Acquisition Operations Division (AOD) official stated that the task order had been mismanaged and that options would not be authorized. However, the task order award included a provision which would allow the contracting officer the option to extend services, which is in contrast to the AOD's directive. In order to ensure that contracting personnel adhere to FAS managements' recommendations, the Pacific Rim CSC should improve task order oversight.

#### Task Order Administration Deficiencies

During our review, we identified various deficiencies related to task order administration, including:

- One instance of improper administration of client funds. A task order was awarded with line items Task 1, Task 2, and Task 3. Task 1 consisted of Time & Material (T&M) services, travel, and shipping. Task 1 T&M services were funded in the amount of \$3,996,020. However, invoices were paid for Task 1 services in the amount of \$4,037,836, exceeding the funding amount by \$41,816. We have determined that no other modification or funding document provided funds for an increase of Task 1 T&M services above the original funded amount. Further, we identified residual Task 1 travel and shipping funds that were used to pay for the Task 1 T&M services; therefore, Task 1 T&M services billings exceeded the funded amount available. Additionally, there were 23 instances in which Military Interdepartmental Purchase Requests (MIPRs) stated that funds were for a particular line item; however, the funds were used to pay invoices for line items other than those specified. We also noted an instance in which FY 2009 funds for Option Year 1 services were used to pay for Base Year services also occurring in FY 2009. While the correct FY funds were used, this mismanagement of the funds could create a bona fide needs issue if the FY 2009 funds are not used within the period of availability, not to exceed one year. Given that the client clearly specified on the MIPRs which line items were to be funded, the Pacific Rim CSC needs to ensure that invoices are being paid accordingly. In an effort to properly manage funds, the Pacific Rim CSC should ensure that client funds are used as specified on the funding document.
- Two instances in which the Pacific Rim CSC did not return excess funds to DoD in a timely manner. In both instances, excess funds were not returned until five months after task order closeout. According to FAR 4.804-5, at the time of closeout, the contract administration office must review the contract funds status and notify the contracting office of any excess funds the contract administration office might de-obligate. To comply with this regulation, the Pacific Rim CSC



should ensure coordination between the contract administration office and the contracting officer to identify unused funds at the time of task order closeout and remit them to the client as soon as possible.

- One instance of improper payment of invoice for services not received. The COR authorized payment of an invoice in the amount of \$25,003 for services not received by the client agency. Per the COR designation letter, a COR's responsibilities include assuring prompt inspection and acceptance or rejection of reports, deliverables, and invoices. Prior to authorizing payment of invoices, the COR should verify that all goods and services have been received in accordance with the terms and conditions of the task order.

#### Minor Deficiencies – File Documentation

During our review, we also noted isolated instances of minor deficiencies related to file documentation, including:

- Eight instances of award and administration documentation either containing incorrect information or missing pertinent information.
- Four instances in which award and administration documents were not contained in the official task order file.
- Two instances in which task order COR designation letters were not signed by the contracting officer.

In accordance with FAR 4.801, the documentation in the files shall contain all contractual actions and shall be sufficient to constitute a complete history of the transaction. In an effort to document and fully support all contracting actions taken on a specific task, the Pacific Rim CSC needs to ensure that contract files contain all required documentation.

#### **Recommendation**

We recommend that the Regional Commissioner of the Pacific Rim Region:

Work in conjunction with the Chief Financial Officer, Office of General Counsel, and Federal Acquisition Service Controller to initiate a review to determine whether prior period actions are matters subject to reporting under the Antideficiency Act.

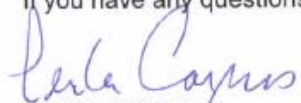
**Management Comments**

On June 14, 2010, the Regional Commissioner, Federal Acquisition Service, Pacific Rim Region concurred with the findings and recommendation outlined in the report. Management's written comments are included in their entirety as Appendix A.

**Internal Controls**

We assessed the internal controls relevant to the Pacific Rim CSC procurements to assure that they were made in accordance with the FAR, Defense procurement requirements, and the terms and conditions of the contracts utilized. The Pacific Rim CSC needs to continue its commitment to effective controls over procurement processes.

If you have any questions regarding this report, please contact me at (415) 522-2733.



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

REVIEW OF  
THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
PACIFIC RIM REGION  
REPORT NUMBER A090139/Q/9/P10008

MANAGEMENT COMMENTS



June 14, 2010

MEMORANDUM FOR JAMES P. HAYES  
REGIONAL INSPECTOR FOR AUDITING (JA-9)

FROM: JOHN W. BOYAN *John W. Boyan*  
REGIONAL COMMISSIONER (9Q)

SUBJECT: Review of the Federal Acquisition Service's Client Support  
Center, Pacific Rim Region, Report Number A090139-5

In response to your May 21, 2010 request for comments, we have reviewed the subject draft report. We concur with the draft report's identification of the areas of concern and we remain fully engaged and committed to enhancing existing internal controls where needed, as well as improving our statutory/regulatory compliance and documentation requirements throughout the acquisition cycle.

The Region has taken a proactive approach in addressing the contracting weaknesses articulated in the draft report through the implementation of additional training (including a mandatory meeting and webinar conducted on May 26, 2010 on the IG's assessment of the sampling of task/delivery orders and modifications), promulgation of regional policies, and the revision of operational manuals in the Assisted Acquisition Services and Acquisition Operations Divisions.

In conjunction with the recommendation incorporated in the draft report, we agree with this suggestion and will initiate a review of the identified transaction to ascertain if this is a reportable matter. FAS, Region 9, anticipates the commencement of this evaluative process no later than October 1, 2010 with preliminary results completed no later than December 31, 2010.

We appreciate the atmosphere of collaboration which prevails between our two organizations. The draft report's insights serve as an excellent tool and catalyst to help our service aspire for acquisition excellence while maintaining our fiduciary responsibility to the taxpayers and our customers.

US General Services Administration  
FAS, Acquisition Policy (9Q)  
450 Golden Gate Avenue, 4th Floor  
San Francisco, CA 94102

REVIEW OF  
THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
PACIFIC RIM REGION  
REPORT NUMBER A090139/Q/9/P10008

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General Counsel (L)	1
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B-1

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX H**

**National Capital Region Final Report**

REVIEW OF THE FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
NATIONAL CAPITAL REGION  
REPORT NUMBER A090139/Q/W/P10005  
June 4, 2010



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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Date: June 4, 2010

Reply to: Marisa Roinestad  
Attn of: Audit Manager, National Capital Region Field Audit Office (JA-W)

Subject: Review of the Federal Acquisition Service's Client Support Center –  
National Capital Region  
Report Number A090139/Q/W/P10005

To: Alfonso J. Finley, Regional Commissioner, Federal Acquisition Service,  
National Capital Region (WQ)

### **Background**

This report presents the results of the Office of Inspector General's audit of the Federal Acquisition Service (FAS) Client Support Center in the National Capital Region (NCR CSC). As directed in the National Defense Authorization Act for Fiscal Year 2008, Public Law 110-181, the Inspectors General of the U.S. Department of Defense (DoD) and General Services Administration (GSA) are to report whether GSA is complying with laws and regulations applicable to DoD procurements.

### **Objective, Scope, and Methodology**

Our objective was to assess whether the policies, procedures, and internal controls of the NCR CSC are administered in a manner compliant with the Federal Acquisition Regulation (FAR) and DoD procurement requirements.

To accomplish our objective, we analyzed 2 stratified random samples of procurement actions for services greater than \$100,000 executed between June 1, 2008 and March 31, 2009 and April 1, 2009 and September 30, 2009, respectively. For those same time periods, we also analyzed 2 judgmental samples of modifications placed against existing procurement actions. For the NCR CSC, our samples included 16 new awards valued at \$67.3 million and 4 modifications to existing orders valued at \$31.4 million.

We conducted the audit from July 2009 through March 2010 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Results of Audit

Overall, we found the NCR CSC compliant with the FAR and DoD procurement requirements<sup>1</sup>. We noted that the Region has implemented national controls to improve its overall contracting practices. However, we identified minor deficiencies that present an opportunity for improvement in the task order award and administration processes, as well as in file documentation.

### Minor Deficiencies – Task Order Award and Administration

During our review, we identified instances of improper task order award and administration practices, most of which were isolated, including:

- Four instances of inadequate best value determinations. The best value determinations were inadequate because either it could not be determined how price reasonableness was established or the total price of the task order was not fully evaluated. Additionally, there was one instance in which the indirect handling rate applied to Other Direct Costs was not evaluated as part of the total price. Per FAR 8.405-2, the ordering activity should determine that the total price of an order is reasonable and should also document how price reasonableness was determined. To ensure that best value determinations are adequate and that price reasonableness is achieved, the NCR CSC should fully evaluate and document the establishment of price reasonableness for each task order.
- Two instances of proposed labor rates not in line with solicitation requirements. In one instance, contractor-site rates were accepted and used for government-site work and in the other instance, the proposed labor rates were above the established schedule rates. In accordance with FAR 8.404, schedule rates are already determined to be fair and reasonable by GSA. Therefore, in using rates above schedule rates, there is no assurance the price is fair and reasonable. The NCR CSC should ensure that all price proposals are evaluated thoroughly and that proposed labor rates are compared to negotiated contract rates.
- Two instances in which the subcontractor versus prime labor analyses were in conflict with the contractors' proposals. FAR 52.219-14 states that at least 50 percent of the cost of contract performance incurred for personnel shall be expended by employees of the prime contractor. 13 CFR 124.510 requires an 8(a) participant to demonstrate semiannually that it has performed over 50 percent of total contract work. The prime contractor submitted to FAS an analysis of subcontractor versus prime labor. The contracting officer accepted this analysis in monitoring compliance with FAR. The NCR CSC needs to ensure

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<sup>1</sup> For the purposes of this audit report, we will be reporting on the issues that have been determined to be within the responsibility of FAS. The DoD Office of Inspector General will be reporting on those issues that are attributable to the DoD under separate cover.

the accuracy of these labor analyses to ensure the FAR requirement is met upon contract completion.

- Two instances in which Quality Assurance Surveillance Plans (QASPs) were not prepared. In accordance with FAR 46.401, a QASP should be prepared in conjunction with the Statement of Work (SOW) and incorporated into the task order file to assure that the government receives the services for which it has paid. To ensure proper surveillance of task order performance, the NCR CSC needs to ensure that QASPs are completed timely for all task orders.
- One instance of not evaluating proposals in accordance with the evaluation factors stated in the SOW. According to FAR 8.405-2(d), the ordering activity shall evaluate all proposals using the evaluation criteria provided to the contractors. In order to ensure that all contractors' bid proposals are fairly evaluated based upon previously stated criteria, the NCR CSC should use the evaluation factors outlined in the solicitation.

#### Minor Deficiencies – File Documentation

During our review, we also noted isolated instances of inadequate file documentation, including:

- One instance of conflicting information in the Acquisition Plan.
- Five instances of inadequate Price Negotiation Memorandums. These inadequacies include inaccurate information, late preparation, and lack of detail.
- Four instances in which the award document or SOW contained inaccurate information or was missing pertinent information.

In accordance with FAR 4.8, the documentation in the files shall contain all contractual actions and shall be sufficient to constitute a complete history of the transaction. In an effort to document and fully support all contracting actions taken on a specific task, the NCR CSC needs to ensure that contract files contain all required documentation.

#### **Management Comments**

On May 28, 2010, the Regional Commissioner, Federal Acquisition Service, National Capital Region concurred with this report. Management's written comments are included in their entirety as Appendix A.

#### **Internal Controls**

We assessed the internal controls relevant to the NCR CSC procurements to assure that they were made in accordance with the FAR, DoD procurement requirements, and

the terms and conditions of the contracts utilized. The NCR CSC needs to continue its commitment to effective controls over procurement processes.

If you have any questions regarding this report, please contact me at (202) 260-6490.



Marisa Roinestad  
Audit Manager  
National Capital Region Field Audit Office

Attachments

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
NATIONAL CAPITAL REGION  
REPORT NUMBER A090139/Q/W/P10005

APPENDIX A – MANAGEMENT COMMENTS



GSA National Capital Region

MAY 28 2010

Ms. Marisa Roinestad  
Audit Manager  
National Capital Region Field Audit Office (JA-W)  
301 7<sup>th</sup> & D Street, S.W.  
Washington, D.C. 20407

Dear Ms. Roinestad:

In response to your May 5, 2010 request for comments, we have reviewed the draft report Review of the Federal Acquisition Service's Client Support Center, Report Number (A090139). We have no comments on the draft report and agree with the findings.

We appreciate the opportunity to review and respond to the draft report. For further information or action associated with the review, please contact Iris Faltz, Office of the Acquisition Executive, on (202) 708-6100, email address: [iris.faltz@gsa.gov](mailto:iris.faltz@gsa.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Alfonso J. Finley".

Alfonso J. Finley  
Regional Commissioner  
Federal Acquisition Service  
National Capital Region

U.S. General Services Administration  
301 7th Street SW  
Washington, DC 20407-0001  
[www.gsa.gov](http://www.gsa.gov)

REVIEW OF FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTER  
NATIONAL CAPITAL REGION  
REPORT NUMBER A090139/Q/W/P10005

APPENDIX B – REPORT DISTRIBUTION

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Deputy Assistant Inspector General for Acquisition Audits (JA-A)

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX I**

**Management Comments**



GSA Federal Acquisition Service

AUG 9 2010

MEMORANDUM FOR KENNETH CROMPTON  
DEPUTY ASSISTANT INSPECTOR GENERAL  
FOR ACQUISITION AUDITS (JA-A)

FROM:   
STEVEN J. KEMPF  
COMMISSIONER  
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: GSA Draft Report, "Review of the Federal Acquisition Services'  
Client Support Centers" (report number A090139)

FAS has reviewed the draft audit report and has no additional comments. Thank you very much for considering the comments FAS previously provided. FAS concurs with the three recommendations in the report. FAS has started developing action plans to address the recommendations. Concurrences are shown on the official file or by the correspondence received from the program offices which are attached to the official file.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Kirk Martinelli at (703) 605-5432 or [kirk.martinelli@gsa.gov](mailto:kirk.martinelli@gsa.gov) for additional information.

cc: Mr. Theodore R. Stehney  
Assistant Inspector General  
for Auditing (JA)

U.S. General Services Administration  
2200 Crystal Drive  
Arlington, VA 20406-0003  
[www.gsa.gov](http://www.gsa.gov)

REVIEW OF THE  
FEDERAL ACQUISITION SERVICE'S  
CLIENT SUPPORT CENTERS  
REPORT NUMBER A090139/Q/A/P10011

**APPENDIX J**

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