

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

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.



Results of Audit

Overall, we found the Southeast Sunbelt CSC compliant with the FAR and Defense procurement requirements¹. 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

¹ 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

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

If you have any questions regarding this report, please contact me at (404) 224-2227.

for 

Elizabeth Telo
Audit Manager
Southeast Sunbelt Region

Attachments

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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:

for WILLIAM A. SISK *William 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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MANAGEMENT COMMENTS

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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.

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