

GENERAL SERVICES ADMINISTRATION OFFICE OF INSPECTOR GENERAL

**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

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.

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 requirements¹. 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.

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.

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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:

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- 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.

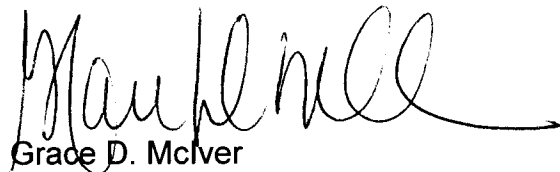
Management Comments

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

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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: *for Kathy Caliendo*
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
915 Taylor Street
Fort Worth, TX 76102-6100
www.gsa.gov

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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.

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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.

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APPENDIX B

Report Distribution

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