

Audit Report

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

**Office of Inspector General
General Services Administration**



Office of Audits

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June 4, 2010



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

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.



Results of Audit

Overall, we found the NCR CSC compliant with the FAR and DoD 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, 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

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.

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.

A handwritten signature in blue ink that reads "Marisa A. Roinestad". The signature is written in a cursive, flowing style.

Marisa Roinestad
Audit Manager
National Capital Region Field Audit Office

Attachments

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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 7th & 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.

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
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APPENDIX B – REPORT DISTRIBUTION

Regional Commissioner, Federal Acquisition Service, National Capital Region (QW)

Acting Commissioner, Federal Acquisition Service (Q)

Internal Control and Audit Division (BEI)

Assistant Inspector General for Auditing (JA)

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

Assistant Inspector General for Investigations (JI)

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

