FAS's Office of Assisted Acquisition Services Should Improve Its Oversight and Administration of Classified Contracts

Report Number A230065/Q/3/P24001
September 16, 2024

Executive Summary

FAS's Office of Assisted Acquisition Services Should Improve Its Oversight and Administration of Classified Contracts
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Why We Performed This Audit

The Federal Acquisition Service's Office of Assisted Acquisition Services (AAS) provides its customer agencies with customized acquisition, project management, and financial management services for large or complex information technology and professional services solutions. In Fiscal Year 2023, AAS revenue was over $16 billion, representing 48 percent of GSA's total revenue. In addition, AAS contracts have become more complex, including contracts considered high-risk because of their classified performance elements. Our audit objectives were to determine if: (1) AAS contracts are accurately classified, (2) sufficient controls are in place to monitor and ensure compliance with AAS policy for contract security classification levels, and (3) AAS contracting personnel possess adequate security clearances to effectively award and administer contracts with classified elements.

What We Found

While AAS has established contract security classification levels, its oversight and administration of contracts with classified performance elements are impaired by two issues.

First, we found that AAS Level 2 (Unclassified Acquisition – Secure Facility Access Required) contracts are not accurately classified. As a result, some contracts are not subject to the portfolio reviews implemented by AAS to reduce its risk. Although AAS updated contract security classification level definitions in 2023, the new standards have not been implemented effectively. We found that: (1) AAS contracting personnel were unaware of the new definitions and did not review the security classification levels of existing contracts to verify accuracy, and (2) AAS does not have sufficient controls in place to monitor and ensure compliance with AAS policy for contract security classification levels.

Second, we found that AAS policy does not require AAS Level 3 (Classified Elements for Performance) contracting officers to have adequate security clearances. This can impair the administration of contracts with classified elements.

What We Recommend

We recommend that the Federal Acquisition Service Commissioner:

1. Conduct a review of all active AAS Level 2 contracts to ensure that all contract security classifications adhere to AAS's current policy and definitions.

2. Consolidate and improve contract security classification guidance to provide more detail and clarity for AAS contracting personnel.

3. Update existing controls to monitor and ensure compliance with contract security classifications by:
    a. Including a review of the security classification level in contract file transfer checklists;
    b. Verifying compliance with AAS security classification policies during existing internal contract reviews; and
    c. Updating briefing templates to use consistent terminology.

4. Implement Assisted Services Shared Information System controls to ensure accuracy and integrity of contract security classifications by:
    a. Prioritizing the development of edit history for immediate visibility of changes to the contract security classification level; and
    b. Limiting the ability to edit contract data to only the assigned acquisition personnel and their supervisory chain.

5. Strengthen AAS policy to require AAS Level 3 contracting officers to have adequate security clearances and establish a plan to initiate the security clearance process for affected contracting officers.

6. Provide AAS contracting personnel with training on any updated policies or guidance implemented in response to the audit findings.

The Acting Federal Acquisition Service Commissioner concurred with our recommendations. Agency comments can be found in their entirety in *Appendix B*.

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Introduction

We performed an audit of classified procurements awarded through the Federal Acquisition Service's (FAS's) Office of Assisted Acquisition Services (AAS).

Purpose

This audit was included in our *Fiscal Year 2023 Audit Plan*. In Fiscal Year 2023, AAS revenue was over $16 billion, representing over 48 percent of GSA's total revenue. In addition, AAS contracts have become more complex, including contracts considered high-risk because of their classified performance elements.

Objectives

Our audit objectives were to determine if: (1) AAS contracts are accurately classified, (2) sufficient controls are in place to monitor and ensure compliance with AAS policy for contract security classification levels, and (3) AAS contracting personnel possess adequate security clearances to effectively award and administer contracts with classified elements.

See ***Appendix A*** – Objectives, Scope, and Methodology for additional details.

Background

AAS provides its customer agencies with customized acquisition, project management, and financial management services for large or complex information technology and professional services solutions. AAS originally consisted of 11 regional Client Support Centers, plus the Federal Systems Integration and Management Center (known as FEDSIM). In October 2023, AAS reorganized to eliminate its geographically based structure. Instead, AAS consolidated into five Acquisition and Procurement Centers of Excellence (APEX) offices that are organized by the customer agencies or contracting programs they support. The AAS APEX offices are outlined in *Figure 1* below.

Figure 1. AAS APEX Offices and Their Assigned Customer Agencies or Contracting Programs

AAS Region(s)	New APEX Office	Customer Agencies or Contracting Programs
1, 3, and 8	1	Army
4 and 7	2	Air Force, Navy, and Space Force
2, 6, 9, 10, and 11	3	Civilian
5 and FEDSIM Innovation	4	Innovation
FEDSIM	5	Defense

AAS contracts have assigned contracting personnel in the roles of contracting officers, contract specialists (if applicable), and project managers, as described below:

- Contracting officers – Enter into, administer, or terminate contracts; they are responsible for safeguarding the government's interest.[1]
- Contract specialists – Assist in contract preparation and administration after approval by a contracting officer.
- Project managers – Act as the liaison between customer agency personnel and the contractor. AAS project managers are often designated as contracting officer's representatives (CORs). CORs assist contracting officers in contract administration by monitoring the contractor's performance in fulfilling the contractual requirements.

As the AAS portfolio has grown, the AAS Program Management Office (PMO) has implemented portfolio reviews for large, highly complex, and sensitive contracts to reduce AAS's risks.[2] AAS defines contracts as large, highly complex, or sensitive based on their monetary value and various other factors, including performance location outside of the continental United States, direct support in a hazardous environment, and contract security classification level.

Once an acquisition is defined as large, highly complex, or sensitive, it is subject to a portfolio review. The goal of these portfolio reviews is to provide the additional oversight necessary for AAS to manage the increased risks of large, highly complex, and sensitive acquisitions. The reviews give senior management visibility into the type of work being accepted, awarded, and administered by AAS.

AAS established its contract security classification levels in February 2022. AAS personnel indicate the contract security classification level in AAS's contracting system—the Assisted Services Shared Information System (ASSIST).[3] AAS management uses the ASSIST contract security classification level to identify and monitor contracts with classified elements.

In May 2023, AAS updated its contract security classification level definitions, particularly for Level 2 (Unclassified Acquisition – Secure Facility Access Required) and Level 3 (Classified Elements for Performance). Under the updated definitions, contracts requiring access to classified systems should now be classified as a Level 3 contract instead of Level 2. According to AAS PMO personnel, this revision was made to err on the side of caution and further reduce the risk of AAS contracting personnel's unauthorized access to classified information. *Figure 2* on the next page defines AAS's four current contract security classification levels.

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[1] Federal Acquisition Regulation 1.602, *Contracting officers.*

[2] AAS Operational Notice 2023-006, *AAS Large, Highly Complex, and Sensitive Acquisitions Portfolio Reviews*, effective October 8, 2023. This replaced similar guidance that was effective October 1, 2021.

[3] AAS Operational Notice 2022-001, *Implementation of ASSIST Flags for Identification of Contracts with a Heightened Security Classification*, effective February 14, 2022. No classified documentation is stored in ASSIST.

Figure 2. Definitions of AAS's Contract Security Classification Levels

Contract Security Classification Level	Definition	Percentage of AAS's Active Contracts in Audit Period	Percentage of AAS's Fees
Level 1 (Unclassified Acquisition)	No secure facility or systems access required.	44%	20%
Level 2 (Unclassified Acquisition – Secure Facility Access Required)	Secure facility access required, but no access to classified information or systems.	35%	51%
Level 3 (Classified Elements for Performance)	Secure facility and/or classified systems access is required. Access to classified information may be required.	20%	28%
Level 4 (Classified Acquisition)	Contract is considered a "black" classified acquisition. Secure facility, classified systems, and classified information access is required, and contract deliverables are classified.	1%	1%

Note: Our audit survey included all contract security classification levels except Level 1. Our survey results of a sample of Level 3 and 4 contracts indicated no issues with the accuracy of security classifications; therefore, our audit fieldwork focused on the accuracy of security classifications of Level 2 contracts. See *Appendix A* for detailed information on the scope of our audit.

AAS contracting officers are expected to apply these definitions by reviewing two primary contract documents:

- The requirements document, such as a Performance Work Statement, that explains the government's needs or outcomes.

- The standard Department of Defense (DD) Form 254, *Contract Security Classification Specification*. The government completes the DD Form 254 to convey security requirements, classification guidance, and handling procedures for classified material received and/or generated on a classified contract. The DD Form 254 establishes what types of information or data will be accessed (Block 10) and what the contractor will do in the performance of the contract (Block 11), as shown in *Figure 3* on the next page.

Figure 3. Excerpt of DD Form 254: Blocks 10 and 11

CLASSIFICATION *(When filled in)*:

10. CONTRACTOR WILL REQUIRE ACCESS TO: *(X all that apply. Provide details in Blocks 13 or 14 as set forth in the instructions.)*

- ☐ **a. COMMUNICATIONS SECURITY (COMSEC) INFORMATION**
- ☐ **b. RESTRICTED DATA**
- ☐ **c. CRITICAL NUCLEAR WEAPON DESIGN INFORMATION (CNWDI)** *(If CNWDI applies, RESTRICTED DATA must also be marked.)*
- ☐ **d. FORMERLY RESTRICTED DATA**
- **e. NATIONAL INTELLIGENCE INFORMATION:**
  - ☐ **(1) Sensitive Compartmented Information (SCI)**
  - ☐ **(2) Non-SCI**

- ☐ **f. SPECIAL ACCESS PROGRAM (SAP) INFORMATION**
- ☐ **g. NORTH ATLANTIC TREATY ORGANIZATION (NATO) INFORMATION**
- ☐ **h. FOREIGN GOVERMENT INFORMATION**
- ☐ **i. ALTERNATIVE COMPENSATORY CONTROL MEASURES (ACCM) INFORMATION**
- ☐ **j. CONTROLLED UNCLASSIFIED INFORMATION (CUI)** *(See instructions.)*
- ☐ **k. OTHER (Specify)** *(See instructions.)*

11. IN PERFORMING THIS CONTRACT, THE CONTRACTOR WILL: *(X all that apply. See instructions. Provide details in Blocks 13 or 14 as set forth in the instructions.)*

- ☐ **a. HAVE ACCESS TO CLASSIFIED INFORMATION ONLY AT ANOTHER CONTRACTOR'S FACILITY OR A GOVERNMENT ACTIVITY** *(Applicable only if there is no access or storage required at contractor facility. See instructions.)*
- ☐ **b. RECEIVE AND STORE CLASSIFIED DOCUMENTS ONLY**
- ☐ **c. RECEIVE, STORE, AND GENERATE CLASSIFIED INFORMATION OR MATERIAL**
- ☐ **d. FABRICATE, MODIFY, OR STORE CLASSIFIED HARDWARE**
- ☐ **e. PERFORM SERVICES ONLY**
- ☐ **f. HAVE ACCESS TO U.S. CLASSIFIED INFORMATION OUTSIDE THE U.S., PUERTO RICO, U.S. POSSESSIONS AND TRUST TERRITORIES**

- ☐ **g. BE AUTHORIZED TO USE THE SERVICES OF DEFENSE TECHNICAL INFORMATION CENTER (DTIC) OR OTHER SECONDARY DISTRIBUTION CENTER**
- ☐ **h. REQUIRE A COMSEC ACCOUNT**
- ☐ **i. HAVE A TEMPEST REQUIREMENT**
- ☐ **j. HAVE OPERATIONS SECURITY (OPSEC) REQUIREMENTS**
- ☐ **k. BE AUTHORIZED TO USE DEFENSE COURIER SERVICE**
- ☐ **l. RECEIVE, STORE, OR GENERATE CONTROLLED UNCLASSIFIED INFORMATION (CUI).** *(DoD Components: refer to DoDM 5200.01, Volume 4 only for specific CUI protection requirements. Non-DoD Components: see instructions.)*
- ☐ **m. OTHER (Specify)** *(See instructions.)*

Results

While AAS has established contract security classification levels, its oversight and administration of contracts with classified performance elements are impaired by two issues.

First, we found that AAS Level 2 (Unclassified Acquisition – Secure Facility Access Required) contracts are not accurately classified. As a result, some contracts are not subject to the portfolio reviews implemented by AAS to reduce its risk. Although AAS updated contract security classification level definitions in 2023, the new standards have not been implemented effectively. We found that: (1) AAS contracting personnel were unaware of the new definitions and did not review the security classification levels of existing contracts to verify accuracy, and (2) AAS does not have sufficient controls in place to monitor and ensure compliance with AAS policy for contract security classification levels.

Second, we found that AAS policy does not require AAS Level 3 (Classified Elements for Performance) contracting officers to have adequate security clearances. This can impair the administration of contracts with classified elements.

Finding 1 – AAS Level 2 contracts are not accurately classified, and as a result, some contracts are not subject to AAS portfolio reviews.

AAS updated its contract security classification level definitions in May 2023 to further reduce the risk of AAS contracting personnel's unauthorized access to classified information. However, AAS did not implement the new contract security classification level definitions effectively. As a result, some contracts are not subject to the portfolio reviews that provide additional oversight intended to reduce AAS's risks.

We found that AAS Level 2 contracts are not accurately classified for two primary reasons:

- Many AAS contracting personnel were unaware of the updated definitions when classifying contracts and were never directed to review existing Level 2 contracts to ensure compliance with the updated definitions.

- AAS does not have sufficient controls in place to monitor and ensure compliance with AAS policy for contract security classifications.

We sampled 60 Level 2 contracts that were active in August 2023. We found 55 of 60 (92 percent) were not accurately classified in accordance with AAS's updated contract security classification level definitions. All 55 misclassified contracts should have been classified at Level 3 (Classified Elements for Performance). As a result of the misclassification, these contracts may not be subject to the portfolio reviews that AAS implemented to reduce its risks.

AAS Contracting Personnel Are Unaware of the Updated Definitions and Were Not Directed to Review Existing Contracts

We interviewed eight AAS contracting personnel assigned to 10 sampled contracts. When asked which guidance they use when making contract security classifications, the responses from AAS contracting personnel indicated that they were unaware of the updated definitions from May 2023. We asked the AAS PMO why the February 2022 policy to implement the contract security classifications in ASSIST was not updated or revoked in May 2023 when the definitions were updated.[4] AAS PMO personnel explained it was not necessary because AAS contracting personnel could access the updated definitions via hyperlinks or other references within the policy itself. However, our results demonstrate that contracting personnel were not locating the updated definitions and seemed generally unaware of their implementation.

Furthermore, through our interviews, we determined that AAS contracting personnel did not have a clear understanding of the contract security classification levels and related processes overall. For example:

- A project manager and contracting officer asked us where the contract security classification level is identified. This indicates that the AAS contracting personnel assigned to this contract did not know how to locate the contract's security classification level in ASSIST. Additionally, this team told us that the classification is made during the acquisition planning phase and cannot be edited after award. However, according to ASSIST documentation, this field is editable after award.

- Another project manager told us that the contract security classification is made by the customer. This indicates confusion between AAS's contract security classification levels and the customer agency's classification categorization (i.e., Secret or Top Secret).

Although AAS issued general guidance on determining contract security classification levels, most AAS contracting personnel we interviewed stated that more detailed guidance would be beneficial.[5] Certain selections on the DD Form 254 could be indicative of the contract security classification level and should be used by AAS contracting personnel as a guide. For example, if "Perform services only" is checked, a Level 2 classification is likely accurate. Conversely, if "Receive, store, and generate classified information or material" is checked, a Level 3 classification would likely be appropriate.

AAS PMO personnel acknowledged that they did not issue a written directive to review existing contracts when the contract security classification level definitions were updated in May 2023. The AAS PMO told us that their own review of Level 2 contracts identified errors. They added

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[4] AAS Operational Notice 2022-001.

[5] AAS Business Operations Standard Operating Procedure, *Capture Guidance for Highly Complex and Sensitive Contracts*, effective October 8, 2023. This replaced similar guidance that was effective June 21, 2021.

that they discussed the need for a review of Level 2 contracts with regional leadership at multiple management meetings. Because of this, the AAS PMO told us that it was their expectation that regions would review their Level 2 contracts. However, a review of these contracts did not occur.

AAS should conduct a review of all active Level 2 contracts to ensure that the contract security classifications adhere to AAS's current policy and definitions. Additionally, AAS should consolidate and improve contract security classification guidance to provide more detail and clarity to AAS contracting personnel.

AAS Controls Are Insufficient to Monitor and Ensure Compliance with Contract Security Classification Level Definitions

AAS does not have sufficient controls in place to monitor and ensure compliance with its contract security classification level definitions. We found that contract file transfer checklists and existing internal contract reviews do not evaluate contract security classification levels for accuracy. In addition, ASSIST system controls for contract security classifications are insufficient.

Contract file transfer checklists. AAS contracting personnel complete a transfer checklist when a contract is reassigned to ensure accuracy and completeness of the contract file; however, it does not expressly require verification of the contract security classification level.[6] We interviewed AAS contracting personnel who "inherited" existing contracts that were misclassified. These AAS contracting personnel told us they would act if the security classification level was incorrect; however, there was no documentation that the security classification level was reviewed, and no corrections were made. Accordingly, to ensure the accuracy of the contract security classification level and take corrective action, if needed, AAS should include a review of the contract security classification level in the contract file transfer checklists.

Internal contract reviews. We found that existing AAS PMO internal contract reviews of contract file documentation for compliance with AAS policy do not check for compliance with policies related to contract security classification levels.[7] AAS PMO personnel told us that internal contract reviews will include a review of contract security classifications once the definitions and processes are more established and familiar to AAS contracting personnel.

Additionally, we found that the required briefing template for large, highly complex, or sensitive contracts uses different terminology when discussing contracts with classified

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[6] AAS Operational Notice 2023-003, *Transfer of Contract/Order Files and Administrative Continuances*, effective March 1, 2023.

[7] AAS Operational Notice 2022-003, *Assisted Acquisition Service (AAS) Internal Contract File Review Process*, effective April 27, 2022.

elements that may cause confusion within AAS.[8] The briefing template includes the term "clearance levels"; however, AAS policies and guidance uses "security classification level." As a result, the discussion could be on the customer agency's classification (i.e., Secret or Top Secret) instead of verifying the accuracy of the AAS contract security classification level. AAS should update existing policy and templates to verify compliance with AAS contract security classification level definitions.

ASSIST system controls. System controls within ASSIST are insufficient to prevent or detect edits to the contract security classification level. Changes to ASSIST data fields, including the contract security classification level, do not require approval, and ASSIST's current functionality does not provide an immediate edit history of changes to contract security classification levels. In addition, ASSIST's default setting allows any user within the same contracting office to edit contract data, including the contract security classification level.

AAS should implement ASSIST system controls to ensure the accuracy and integrity of contract data, including the contract security classification level. This should include: (1) prioritizing the development of edit history for immediate visibility of changes to the contract security classification level and (2) limiting the ability to edit contract data to only the assigned acquisition personnel and their supervisory chain.

Ultimately, inaccurately classified contracts are not subject to the portfolio reviews that AAS implemented to reduce its risks.

Finding 2 – AAS policy does not require AAS Level 3 contracting officers to have adequate security clearances, which can impair the administration of contracts with classified elements.

According to AAS policy, if a Level 3 contract COR is an AAS employee, the COR must possess an adequate security clearance.[9] However, the COR is not ultimately responsible for ensuring contract compliance and safeguarding the government's interest—the contracting officer bears that responsibility. The Federal Acquisition Regulation and AAS policy establish that only a contracting officer can modify a contract or require corrective action due to non-performance. This is supported by FAS policy and AAS COR designation policy that require a COR to notify the contracting officer of performance issues within 24 hours of discovery.[10]

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[8] AAS Operational Notice 2023-006, *AAS Large, Highly Complex, and Sensitive Acquisitions Portfolio Reviews*, effective October 8, 2023. This replaced similar guidance that was effective October 1, 2021.

[9] AAS Supplemental Guidance to FAS Policy and Procedure 2020-04, *FAS COR Function Standard Operating Procedures*, effective October 1, 2023. This replaced similar guidance that was effective October 3, 2022.

[10] *FAS COR Standard Operating Procedures*, version 2, effective October 1, 2022; and AAS *Dual COR Authorization and Designation Letter* template.

The contracting officer's responsibility for a contract could be impaired if they do not have an adequate security clearance to administer the contract. The contracting officer cannot address contract issues involving classified information if they do not possess an adequate security clearance. Instead, the assigned contracting officer would need to identify another contracting officer with the requisite security clearance to address the contractual issues.

Regional AAS management told us that efforts were underway to obtain additional security clearances for AAS contracting personnel. While this is a step in the right direction, there is inconsistency in the approach. One AAS regional manager said that security clearances would be obtained based on pay grades. A manager from another AAS region said everyone on her team was getting a security clearance because of the customer agency they serve.

To establish consistency and ensure effective contract administration, AAS should strengthen its policy to require Level 3 contracting officers to have adequate security clearances. AAS should also establish a plan to initiate the security clearance process for affected contracting officers.

Conclusion

While AAS has established contract security classification levels, its oversight and administration of contracts with classified performance elements are impaired by two issues.

First, we found that AAS Level 2 (Unclassified Acquisition – Secure Facility Access Required) contracts are not accurately classified. As a result, some contracts are not subject to the portfolio reviews implemented by AAS to reduce its risk. Although AAS updated contract security classification level definitions in 2023, the new standards have not been implemented effectively. We found that: (1) AAS contracting personnel were unaware of the new definitions and did not review the security classification levels of existing contracts to verify accuracy, and (2) AAS does not have sufficient controls in place to monitor and ensure compliance with AAS policy for contract security classification levels.

Second, we found that AAS policy does not require AAS Level 3 (Classified Elements for Performance) contracting officers to have adequate security clearances. This can impair the administration of contracts with classified elements.

AAS should take corrective actions to address these deficiencies and ensure its contracts are subject to additional oversight intended to reduce AAS's risks. Accordingly, AAS should review all Level 2 contracts to ensure that they meet AAS's current policy and definitions. AAS should also improve contract security classification guidance to ensure its contracting personnel have a clear understanding of the contract security classification levels and related processes. Additionally, AAS should strengthen controls to ensure the accuracy and integrity of contract security classifications and initiate adequate security clearances for Level 3 contracting officers. Finally, AAS should train its contracting personnel on any changes to policies and guidance arising from these corrective actions.

Recommendations

We recommend that the FAS Commissioner:

1. Conduct a review of all active AAS Level 2 contracts to ensure that all contract security classifications adhere to AAS's current policy and definitions.

2. Consolidate and improve contract security classification guidance to provide more detail and clarity for AAS contracting personnel.

3. Update existing controls to monitor and ensure compliance with contract security classifications by:
   a. Including a review of the security classification level in contract file transfer checklists;

     b. Verifying compliance with AAS security classification policies during existing internal contract reviews; and

     c. Updating briefing templates to use consistent terminology.

4. Implement Assisted Services Shared Information System controls to ensure accuracy and integrity of contract security classifications by:
     a. Prioritizing the development of edit history for immediate visibility of changes to the contract security classification level; and
     b. Limiting the ability to edit contract data to only the assigned acquisition personnel and their supervisory chain.

5. Strengthen AAS policy to require AAS Level 3 contracting officers to have adequate security clearances and establish a plan to initiate the security clearance process for affected contracting officers.

6. Provide AAS contracting personnel with training on any updated policies or guidance implemented in response to the audit findings.

GSA Comments

The Acting FAS Commissioner concurred with our recommendations. Agency comments can be found in their entirety in *Appendix B*.

Audit Team

This audit was managed out of the Mid-Atlantic Region Audit Office and conducted by the individuals listed below:

Thomas Tripple	Regional Inspector General for Auditing
Susan Klein	Audit Manager
Zeeshan Malik	Auditor-In-Charge

Appendix A – Objectives, Scope, and Methodology

Objectives

We performed this audit because AAS's Fiscal Year 2023 revenue was over $16 billion, representing 48 percent of GSA's total revenue. In addition, AAS contracts have become more complex, including contracts considered high-risk because of their classified performance elements. Our audit objectives were to determine if: (1) AAS contracts are accurately classified, (2) sufficient controls are in place to monitor and ensure compliance with AAS policy for contract security classification levels, and (3) AAS contracting personnel possess adequate security clearances to effectively award and administer contracts with classified elements.

Scope and Methodology

The scope of our audit was limited to AAS-awarded contracts active between October 1, 2022, and August 9, 2023. Our audit survey included all contract security classification levels except Level 1 (Unclassified Acquisition). Our survey results indicated no issues based on the analyses we performed on our sample of Level 3 (Classified Elements of Performance) and Level 4 (Classified Acquisition) contracts; therefore, our audit fieldwork focused on the accuracy of security classifications of Level 2 (Unclassified Acquisition – Secure Facility Access Required) contracts. We sampled 10 Level 2 contracts from 6 out of 12 AAS regions, for a total of 60 contracts. We conducted our fieldwork from December 2023 through April 2024.

To accomplish our objectives, we:

- Interviewed management from the AAS PMO and three AAS regions (Regions 3, 4, and FEDSIM) to understand contract security classification procedures;
- Reviewed the Federal Acquisition Regulation, General Services Administration Acquisition Manual, and AAS internal policies related to the contract security classification levels of awarded AAS contracts and the safeguarding of classified information;
- Analyzed the identified criteria to assess internal controls to ensure compliance with AAS policy for contract security classification levels;
- Assessed internal controls relating to contracting personnel security clearances relative to the award and administration of contracts with classified elements;
- Reviewed prior GSA Office of Inspector General audit reports to identify significant issues that may affect the audit objectives;
- Analyzed ASSIST contract data for contracts active between October 1, 2022, and August 9, 2023, to understand the contract security classification levels of AAS-awarded contracts, determine the scope of the audit, and make sample selections;

- Selected a judgmental sample of 60 Level 2 contracts, 10 each from six different AAS regions (Regions 3, 4, 5, 7, 8, and FEDSIM), and:
  - Obtained and reviewed relevant contract file documentation from ASSIST to determine the accuracy of the contract security classification levels;
  - Conducted interviews, as needed, with contracting officers and other acquisition personnel; and
  - Reviewed ASSIST contract security classifications for the sampled contracts;
- Selected a judgmental sample of nine Level 3 contracts from three AAS regions (Regions 3, 4, and FEDSIM), and:
  - Obtained and reviewed relevant contract file documentation from ASSIST for Level 3 sampled contracts to determine the accuracy of the contract security classification level;
- Selected a judgmental sample of the three highest invoiced dollar value Level 4 contracts from the only AAS region (Region 11) with Level 4 contracts, and:
  - Obtained and reviewed relevant contract file documentation from ASSIST to determine the accuracy of the contract security classification level; and specialized training, class approval, and pre-capture approval requirements; and
- Verified the security clearances for AAS contracting personnel assigned to all Level 3 and Level 4 contracts in four AAS regions (Regions 3, 4, 11, and FEDSIM).

Data Reliability

We assessed the reliability of ASSIST contract data for contracts active between October 1, 2022, and August 9, 2023. We reviewed documentation that establishes ASSIST as AAS's official system of record and a feeder system to the Federal Procurement Data System-Next Generation. GSA's Federal Procurement Data System-Next Generation data undergoes an annual verification and validation process, and the GSA Senior Procurement Executive certifies the accuracy and completeness of that data. Based on this, we determined that the data was sufficiently reliable for the purposes of this audit.

Sampling

To prepare our audit sample, we used ASSIST to identify a universe of 1,593 AAS-awarded contracts that were active between October 1, 2022, and August 9, 2023. From this universe, we selected the following judgmental samples:

- **Level 2 –** We selected the 10 highest invoiced dollar value Level 2 contracts from six AAS regions (Regions 3, 4, 5, 7, 8, and FEDSIM), for a total of 60 contracts out of 563 total Level 2 contracts. Our sample accounted for $8.5 billion of $13.3 billion (64 percent) in total invoiced dollar value of AAS Level 2 contracts in the sampled regions.
- **Level 3 –** We selected the three highest invoiced dollar value Level 3 contracts from three AAS regions (Regions 3, 4, and FEDSIM), for a total of 9 contracts out of 106 total Level 3 contracts. Our sample accounted for approximately $4.5 million of $11.6 million

(39 percent) in total invoiced dollar value of AAS Level 3 contracts in the sampled regions.

- **Level 4 –** We selected the three highest invoiced dollar value Level 4 contracts from the only AAS region (Region 11) with Level 4 contracts out of 11 total Level 4 contracts. Our sample accounted for approximately $60.4 million of $70.9 million (85 percent) in total invoiced dollar value of all AAS Level 4 contracts.

Our sample design did not include sample sizes that would allow for projection to the population; however, it allowed us to sufficiently address our audit objectives.

Internal Controls

We assessed internal controls significant within the context of our audit objectives against GAO-14-704G, *Standards for Internal Control in the Federal Government*. The methodology above describes the scope of our assessment, and the report findings include any internal control deficiencies we identified. Our assessment is not intended to provide assurance on GSA's internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

Compliance Statement

We conducted the audit between July 2023 and April 2024 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.

Appendix B – GSA Comments

GSA

Federal Acquisition Service

August 26, 2024

MEMORANDUM FOR: Thomas Tripple
Regional Inspector General for Auditing
Mid-Atlantic Region Audit Office (JA-3)

FROM: Tom Howder
Acting Commissioner
Federal Acquisition Service (Q)

SUBJECT: Response to Draft Report *FAS's AAS Should Improve its Oversight and Administration of Classified Contracts* Report Number A230065

Thank you for the opportunity to comment on the referenced draft report *FAS's AAS Should Improve its Oversight and Administration of Classified Contracts,* dated July 2, 2024. The Federal Acquisition Service (FAS) concurs with the recommendations below.

OIG Recommendation 001

OIG recommends that the FAS Commissioner conduct a review of all active AAS Level 2 contracts to ensure that all contract security classifications adhere to AAS's current policy and definitions.

OIG Recommendation 002

OIG recommends that the FAS Commissioner consolidate and improve contract security classification guidance to provide more detail and clarity for AAS contracting personnel.

OIG Recommendation 003A

OIG recommends that the FAS Commissioner update existing controls to monitor and ensure compliance with contract security classifications by including a review of the security classification level in contract file transfer checklists.

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OIG Recommendation 003B

OIG recommends that the FAS Commissioner update existing controls to monitor and ensure compliance with contract security classifications by verifying compliance with AAS security classification policies during existing internal contract reviews.

OIG Recommendation 003C

OIG recommends that the FAS Commissioner update existing controls to monitor and ensure compliance with contract security classifications by updating briefing templates to use consistent terminology.

OIG Recommendation 004A

OIG recommends that the FAS Commissioner implement ASSIST system controls to ensure accuracy and integrity of contract security classifications by prioritizing the development of edit history for immediate visibility of changes to the contract security classification level.

OIG Recommendation 004B

OIG recommends that the FAS Commissioner implement ASSIST system controls to ensure accuracy and integrity of contract security classifications by limiting the ability to edit contract data to only the assigned acquisition personnel and their supervisory chain.

OIG Recommendation 005

OIG recommends that the FAS Commissioner strengthen AAS policy to require AAS Level 3 contracting officers to have adequate security clearances and establish a plan to initiate the security clearance process for affected contracting officers.

OIG Recommendation 006

OIG recommends that the FAS Commissioner provide AAS contracting personnel with training on any updated policies or guidance implemented in response to the audit findings.

FAS will develop a corrective action plan to address the recommendations.

If you have any questions, please contact Jennifer Crouse from the Office of Assisted Acquisition Services at jennifer.crouse@gsa.gov or (404) 771-4499.

Appendix C – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Acting Commissioner (Q)

Acting Deputy Commissioner (Q1)

Deputy Commissioner, TTS (Q2)

Chief of Staff (Q)

Assistant Commissioner, Office of Assisted Acquisition Services (QF)

Deputy Assistant Commissioner, Office of Assisted Acquisition Services (QF1)

Chief of Staff, Office of Assisted Acquisition Services (QF1)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

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