



Office of Audits
Office of Inspector General
U.S. General Services Administration

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

Audit of GSA's Cost-
Reimbursement Contracts
Report Number A120052/Q/A/P12004
March 30, 2012

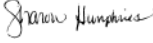
Assignment Number A140028
September 18, 2014



**Office of Audits
Office of Inspector General
U.S. General Services Administration**

DATE: 9/18/2014

TO: Thomas Sharpe
Commissioner, Federal Acquisition Service (Q)

FROM: Sharon Humphries 
Audit Manager, Center for Contract Audits (JA-A)

SUBJECT: Implementation Review of Corrective Action Plan
Audit of GSA's Cost-Reimbursement Contracts
Report Number A120052/Q/A/P12004, March 30, 2012
Assignment Number A140028

This report presents the results of our implementation review of the *Audit of GSA's Cost-Reimbursement Contracts*.

We completed an implementation review of the management actions taken in response to the recommendations contained in the subject audit report (see **Appendix A**). The objective of our review was to determine whether the Federal Acquisition Service (FAS) has taken the corrective actions as outlined in the Action Plan for the *Audit of GSA's Cost-Reimbursement Contracts*. To accomplish our objective we:

- Reviewed documentation submitted by FAS supporting accomplishment of the Action Plan steps;
- Performed testing of the implementation guidance and procedures contained in these supporting documents; and
- Corresponded with FAS personnel.

Our implementation review found that FAS addressed the audit recommendations in the corrective action plan, dated May 25, 2012.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

Sharon Humphries	Audit Manager	sharon.humphries@gsaig.gov	(202) 273-7372
James Gable	Auditor-In-Charge	james.gable@gsaig.gov	(202) 273-7381

On behalf of the audit team, I would like to thank you and your staff for your assistance during this review.

Background

On March 30, 2012, we issued the audit report, *Audit of GSA's Cost-Reimbursement Contracts* to the FAS Commissioner. Section 864 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 (the Act) effected revisions to the Federal Acquisition Regulation (FAR), strengthening the guidance regarding the use of cost-reimbursement contracts. These FAR revisions address: (1) when cost-reimbursement contracts are appropriate; (2) the type of findings an acquisition plan must have to support a decision to use cost-reimbursement contracts; and (3) the assessment of the workforce resources needed to award and administer cost-reimbursement contracts. The Act also requires the Inspector General of each executive branch agency review the agency's use of cost-reimbursement contracts¹ for compliance with these regulations.

On March 16, 2011, the Department of Defense, GSA, and the National Aeronautics and Space Administration jointly issued interim rule 76 Federal Register 14543 to address section 864 of the Act. The interim rule provides regulatory guidance on the proper use and management of cost-reimbursement contracts. The interim rule aligns with the March 4, 2009, Presidential Memorandum on Government Contracting which directs agencies to reduce the use of high risk contracts.

On March 2, 2012, the Department of Defense, GSA, and the National Aeronautics and Space Administration adopted the interim rule as final. The final rule changes went into effect on April 2, 2012, and are published in the FAR.

The objective of the *Audit of GSA's Cost-Reimbursement Contracts* was to determine if the cost-reimbursement contracts and task orders² GSA entered into between March 17, 2011, and September 30, 2011, comply with the provisions of interim rule 76 Federal Register 14543.

Our audit found:

- The cost-reimbursement contracts and task orders GSA entered into between March 17, 2011, and September 30, 2011, do not fully comply with the provisions of interim rule 76 Federal Register 14543.

We recommended that the FAS Commissioner:

¹ The Act applies to cost-reimbursement contracts or orders issued under contracts previously awarded. See *Regulations on the Use of Cost-Reimbursement Contracts*, Public Law 110-417, 122 Stat 4549 (2008).

² For the purposes of this report, the term task order is a generic term to include task and delivery orders.

1. Reaffirm internal guidance (i.e., Federal Acquisition Service Instructional Letter 2011-18) and develop additional internal policies to ensure that acquisition personnel understand how interim rule 76 Federal Register 14543 and related Federal Acquisition Regulation changes affect existing and future contracts and task orders.
2. Incorporate the requirements as a result of interim rule 76 Federal Register 14543 into existing acquisition plan templates.

The FAS Commissioner agreed with the report recommendations.

Results

The results of our implementation review indicate that FAS has taken appropriate corrective actions to address the recommendations. We determined that no further action is necessary to address our recommendations.

Appendix A – Action Plan for Report Number A120052/Q/A/P12004

ACTION PLAN

Contact Person: [REDACTED]
Telephone: [REDACTED]
Date: 5/14/12

Audit Report Number/Title	Recommendation Number	Completion Date
A120052/Q/A/P12004	1.	8/15/12

Recommendation

Reaffirm internal guidance (i.e., Federal Acquisition Service Instructional Letter 2011-18) and develop additional internal policies to ensure that acquisition personnel understand how interim rule 76 Federal Register 14543 and related Federal Acquisition Regulation changes affect existing and future contracts and task orders.

Step	POC	Action to be Taken Step by Step	Supporting Documentation to be Provided*	Documentation will be sent by (date)
1	[REDACTED]	Prepare Interim rule 76 Federal Register 14543 implementation guidance	Implementation Guidance Matrix	6/15/12
2	[REDACTED]	Provide compliance training to appropriate personnel (All 1102s; group managers (2210-15s), and Acquisition Project Managers.)	Training presentation; Attendance List	8/15/12
3	[REDACTED]	Ensure appropriate 1102s have subscriptions to Acquisition.gov Acquisition News service	Subscription list	8/15/12

*All supporting documentation should be sent to FASAudits@gsa.gov. Please do not send directly to the entity that performed the audit.

Do any action steps require coordination with the FAS CIO? No.

If so, please indicate which steps require CIO coordination and a CIO POC that will be named as the action step owner.
If so, your action plan should include a step to send the FAS CIO and FASAudits@gsa.gov a Systems Change Request.

Do any action steps require coordination with any other FAS Portfolio or Integrator? No.

If so, please indicate which steps require outside coordination, the office whose coordination is needed, and the POC that will be

Appendix A – Action Plan for Report Number A120052/Q/A/P12004 (cont.)

named as the action step owner.

(Note: Each action step must contain an owner that will be responsible for supplying supporting documentation.)
ACTION PLAN

Contact Person: [REDACTED]
Telephone: [REDACTED]
Date: 5/14/12

Audit Report Number/Title	Recommendation Number	Completion Date
A120052/Q/A/P12004	2.	8/15/12

Recommendation

Incorporate the requirements as a result of interim rule 76 Federal Register 14543 into existing acquisition plan templates.

Step	POC	Action to be Taken Step by Step	Supporting Documentation to be Provided*	Documentation will be sent by (date)
1	[REDACTED]	Update Acquisition Plan Template	Updated Acquisition Plan Template	6/15/12
2	[REDACTED]	Update Task Order Request/Request for Quotation (TOR)/(RFQ) Templates	Updated TOR/RFQ Templates	8/15/12
3	[REDACTED]	Update Price Negotiation Memorandum (PNM) Template	Updated PNM Template	8/15/12

*All supporting documentation should be sent to FASAudits@gsa.gov. Please do not send directly to the entity that performed the audit.

Do any action steps require coordination with the FAS CIO? No.

If so, please indicate which steps require CIO coordination and a CIO POC that will be named as the action step owner.
If so, your action plan should include a step to send the FAS CIO and FASAudits@gsa.gov a Systems Change Request.

Do any action steps require coordination with any other FAS Portfolio or Integrator? No.

If so, please indicate which steps require outside coordination, the office whose coordination is needed, and the POC that will be named as the action step owner.

(Note: Each action step must contain an owner that will be responsible for supplying supporting documentation.)

Appendix B – Report Distribution

Commissioner, Federal Acquisition Service (Q)

Deputy Commissioner, Federal Acquisition Service (Q1)

FAS Chief of Staff (Q0A)

Assistant Commissioner (QF)

Director, Center for FEDSIM (QF0B)

Branch Chief, GAO/IG Audit Response Branch (H1C)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

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