

REVIEW OF CONTROLS OVER
CONTRACT AWARDS AND
MODIFICATIONS WITHIN THE CENTER
FOR INFORMATION TECHNOLOGY
SCHEDULE PROGRAMS
REPORT NUMBER
A090203/Q/A/P10007

June 11, 2010



U.S. GENERAL SERVICES ADMINISTRATION
Office of the Inspector General

Date: June 11, 2010

Reply to
Attn of: Audit Manager, Acquisition Programs Audit Office (JA-A)

Subject: Review of Controls over Contract Awards and Modifications within the
Center for Information Technology Schedule Programs
Report Number A090203/Q/A/P10007

To: Steven J. Kempf
Acting Commissioner, Federal Acquisition Service (Q)

This report presents the results of the Review of Controls over Contract Awards and Modifications within the Center for Information Technology Schedule Programs. Our review identified that the Center for Information Technology Schedule Programs (IT Center) has control weaknesses in both its contract award and modification processes. In some cases, contracting actions were not properly authorized. In others, contract documentation was missing, incorrect, or incomplete. We determined that the use of eOffer and eMod reduces the likelihood that these errors will occur. In addition, we identified opportunities to assist IT Center personnel in detecting inaccurate and incomplete contracts. Further, we noted systems controls that should be implemented to preserve the integrity of the contracting process by limiting contracting personnel from acting outside of their regulatory authority. Until improvements in these areas are made, the IT Center remains at risk of unknowingly administering invalid contracts and inaccurately portraying contract information to customer agencies.

If you have any questions regarding this report, please contact me on (816) 926-8605.

A handwritten signature in cursive script that reads "Michelle L. Westrup".

Michelle L. Westrup
Audit Manager
Acquisition Programs Audit Office

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EXECUTIVE SUMMARY

Purpose

The objective of this review was to determine if control weaknesses exist in the Center for Information Technology Schedule Program's (IT Center's) contract award and modification processes. If control weaknesses are identified, what actions should the IT Center take to address them?

Background

During fiscal year (FY) 2009, the IT Center administered more than 5,400 Multiple Award Schedule (MAS) contracts with total sales of over \$15 billion. The IT Center's MAS contracts are used by many government agencies; therefore, the contracts must be valid, accurate, and complete so that agencies can consistently rely on them to provide the best value for their procurement needs.

Results in Brief

Our review identified that the IT Center has control weaknesses in both its contract award and modification processes. In some cases, contracting actions were not properly authorized. In others, contract documentation was missing, incorrect, or incomplete. These issues pose both a legal and monetary risk to the General Services Administration (GSA).

Prior to our review, the IT Center reviewed the case load of one contracting specialist and identified seven contracts that had award or option period modifications that were not approved by a contracting officer as required by regulation. In our review, we found 5 (out of 18) contracts with unsupported actions. We determined that eOffer and eMod (online contracting applications) have the potential to reduce the likelihood that these errors will occur, but these applications are rarely used. The IT Center has also created contract review procedures to identify contracting actions with missing, incomplete, or inaccurate documentation, though we believe these initiatives can be improved. To further strengthen controls, the IT Center has submitted a System Change Request (SCR) for GSA information systems that will limit the ability of unauthorized personnel to

finalize contract award information; however, this SCR is still awaiting review, approval, and implementation.

Recommendations

We recommend that the Commissioner of the Federal Acquisition Service:

1. Take steps to increase the use of eOffer and eMod within the IT Center.
2. Require the IT Center to review contracts that IT Center management determines to be high-risk to ensure they are valid, including verification of the continuity of their performance periods.
3. Strengthen the initiatives to detect contracts that may be incomplete or inaccurate by:
 - a. Ensuring that IT Center management performs systematic reviews of contracts utilizing FSS Online.
 - b. Adding language to the welcome letters and option packages sent to vendors as part of the IT Center's award and modification processes to inform them that they must receive a copy of the Standard Form-1449 (for awards) and Standard Form-30 (for modifications) signed by a contracting officer to know that the contracting action is complete. The welcome letters and option packages should also include information on what action the vendor should take if they do not receive these signed documents.
 - c. Ensuring that the IT Center utilizes the internal Procurement Management Reviews and maximizes their value by taking action to remediate any contracting issues identified. Additionally, the standard operating procedures should be altered to include verification of the continuity of the performance period and verification of the vendor's data in GSA Advantage.
4. Implement the System Change Request submitted by the IT Center to remove contract specialists' ability to make awards appear complete in GSA information systems without contracting officer approval.

Management Comments

On June 4, 2010, the Acting Commissioner of the Federal Acquisition Service concurred with the findings and recommendations of the report. Management's written comments to the draft report are included in their entirety as Appendix A.

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INTRODUCTION

Background

The General Services Administration's (GSA's) Federal Acquisition Service (FAS) includes three portfolios that provide products and services to government customer agencies: Integrated Technology Services (ITS), General Supplies and Services, and Travel, Motor Vehicle and Card Services. We focused our review on ITS' Center for Information Technology Schedule Programs (IT Center), which manages the Schedule 70¹ Multiple Award Schedule (MAS) contracts. In fiscal year (FY) 2009, the IT Center oversaw more than 5,400 contracts with sales in excess of \$15 billion.

The IT Center is organized into two divisions, each with four branches led by a branch chief. As of October 1, 2009, the IT Center employed 50 contracting officers (COs) and 29 contract specialists (CSs) located in Arlington, Virginia; Fort Worth and San Antonio, Texas; and Kansas City, Missouri. These contracting personnel are responsible for working with vendors to award MAS contracts and modifications, including option periods. The CSs do not possess warrant authority; therefore, a CO must review and sign off on contract documents prepared by a CS.

A contract award is documented on a Solicitation/Contract/Order for Commercial Items Standard Form (SF)-1449. The contracts are awarded for a base period of five years with three five year option periods. All modifications, including those used to exercise an option period, are documented on an Amendment of Solicitation/Modification of Contract Standard Form (SF)-30. MAS contracts can be modified either unilaterally² (by GSA) or bilaterally³ (by the vendor and GSA), depending on the type of modification. At the end of the contract's base period, the option or Evergreen Clause

¹ Schedule 70 provides general purpose commercial information technology (IT) equipment, software, and services.

² Per Federal Acquisition Regulation (FAR) 43.103(b), unilateral modifications are used to: (1) Make administrative changes; (2) Issue change orders; (3) Make changes authorized by clauses other than a changes clause (e.g., Property clause, Options clause, or Suspension of Work clause); and (4) Issue termination notices.

³ Per FAR 43.103(a), bilateral modifications are used to: (1) Make negotiated equitable adjustments resulting from the issuance of a change order; (2) Definitize letter contracts; and (3) Reflect other agreements of the parties modifying the terms of contracts.

may be invoked. This is used to extend the performance period of a MAS contract for an additional five years.

To properly document contracting activity in accordance with FAS policy, contracting personnel incorporate the SF-1449s and SF-30s into the contract files. They also input the data into GSA's information systems, using FSS Online which is then transmitted to GSA's eLibrary and eBuy. These programs are used by ordering agencies to identify vendors that are capable of fulfilling their procurement needs.

This review was initiated by the GSA Office of Inspector General (OIG) after IT Center management discovered that a CS had utilized FSS Online to make it appear that a MAS contract option had been exercised even though it had not been approved by a CO. In a subsequent review, the IT Center discovered that this CS had also circumvented CO approval for three additional option period modifications, as well as three contract awards.

Objective, Scope and Methodology

The review objective was to determine if control weaknesses exist in the IT Center's contract award and modification processes. If control weaknesses are identified, what actions should the IT Center take to address them?

In order to accomplish the review objectives, we:

- Reviewed relevant GSA OIG audit reports from 1997 through 2007.
- Identified and reviewed applicable procurement policy and guidance including the FAR, General Services Administration Acquisition Manual, Procurement Information Bulletins, and FAS Instructional Letters.
- Reviewed case decisions from the: Comptroller General, United States Court of Appeals, and Armed Services Board of Contract Appeals.
- Identified and reviewed relevant statutory laws, policy, and guidance relating to information security and information system access.
- Interviewed IT Center management to obtain Center-specific structure, policy, guidance, controls, and business practices.
- Interviewed representatives from the FAS Office of the Chief Information Officer to discuss information systems utilized during the MAS contracting process.
- Met with representatives from FAS's Office of Acquisition Management to determine overall FAS policies on contract awards and modifications.
- Performed a limited scope review of 18 contract files from the IT Center to verify contract validity related to award and modification documentation.

We conducted our review between July 2009 and January 2010 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.

RESULTS OF REVIEW

The IT Center has control weaknesses in both its contract award and modification processes. In some cases, contracting actions were not properly authorized. In others, contract documentation was missing, incorrect, or incomplete. These issues pose both a legal and monetary risk to GSA.

Prior to our review, IT Center management evaluated the case load of one CS and identified seven contracts in which either the award document or option period modifications were not approved by a CO, as required by regulation. In our review, we found 5 (out of 18) contracts that were not adequately documented. We determined that eOffer and eMod (online contracting applications) have the potential to reduce the likelihood that these errors will occur, but these applications are used in less than 30 percent of all IT Center contracting actions. In addition, contracts with missing, incomplete, or inaccurate documentation have not been detected by IT Center personnel or vendors; although they share the responsibility for ensuring contract validity. A Systems Change Request (SCR) from the IT Center that would limit contracting personnel from acting outside of their regulatory authority has yet to be fully implemented. Until improvements in these areas are made, the IT Center remains at risk of unknowingly administering invalid contracts and inaccurately portraying contract information to customer agencies.

Improving Current Contracting Processes Will Strengthen Controls

Control weaknesses exist in the contract award and modification processes that allow contracts to be awarded or modified incorrectly, without any visible indicators to customers. When reviewing the case load of one CS, the IT Center identified seven contracts with actions that appeared active in GSA IT systems; even though, the supporting documentation had not been signed by a CO as required by the FAR. FAR 4.101 states that only a CO can sign contracts on behalf of the government and FAR 43.102(a) says that only a CO may authorize contract modifications. The IT Center reinforces these regulations in its desk guide for contracting personnel by requiring that the CO sign the SF-1449 when awarding contracts and the SF-30 when modifying contracts.

Prior to our review, the IT Center discovered that a CS was not adhering to the regulations and had represented that modifications were executed, when in fact they had not been authorized by a warranted CO. In this instance, the CS prepared documentation for the option renewal, including the SF-30 for four contracts and extended the contract end dates in FSS Online. The vendors then extended their contract end dates in GSA Advantage. In addition, the CS prepared three SF-1449s, posted the contract information to FSS Online, and allowed vendors to post their

information to GSA Advantage - all without CO approval. In doing this, the contract terms were erroneously represented to ordering agencies.

Capitalize on Existing Controls in the eOffer and eMod Processes

When properly utilized, GSA's eOffer and eMod have built-in controls to help ensure that the types of violations mentioned above will not occur. EOffer and eMod are web-based applications that allow vendors to electronically prepare and submit MAS contract proposals and modifications. The eOffer and eMod processes have more automated controls than the paper processes used by most contracting personnel. These additional controls help ensure that contract documentation is completed and approved by the required parties. However, despite the additional controls, eOffer and eMod are currently utilized much less often than their paper counterparts within the IT Center. In FY 2008, approximately 30 percent of offers and 27 percent of modifications were processed through eOffer and eMod, respectively.

EOffer automatically uploads the vendor's proposal information into the Offer Registration System, which contracting personnel use to evaluate the proposal. After the proposal is reviewed, selected documents are uploaded into FSS Online and the contract package is approved. The vendor then electronically signs the eOffer contract package. Subsequently, the CO must individually review and accept each document that is a part of that package and digitally sign the eOffer. The review steps in the eOffer procedure cannot be bypassed, as is possible in the paper process. In addition, when using the paper process, the vendor does not sign the contract package and the CO is not required to review and sign off on each document in the contract package. EOffer also maintains the completed documents as a backup to the hard copy contract file. The additional procedural controls built into eOffer ensure that the CO reviews all the necessary documents for completion and required signatures. EOffer also allows these documents to be easily accessible for review.

EMod uploads modification information into FSS Online. The modification is activated⁴ in FSS Online only when it has received the proper electronic signatures. Only the CO is required to sign a unilateral modification. A bilateral modification must be signed by both the vendor and the CO. The program will only accept electronic signatures of the CO and the vendor's authorized negotiators. A CS is prohibited from signing or activating the eMod. In comparison, when the paper modification procedure is used, FSS Online cannot determine if the SF-30 has been signed, nor who signed it. Contracting personnel enter the data into the program, stating that the SF-30 was signed, without any supporting documentation.

By increasing the use of eOffer and eMod, the IT Center will reduce the likelihood that contracting actions will go unsigned, be signed by the wrong individuals, or have

⁴ Activation is the final step when processing a modification in FSS Online. Once this takes place, it is then publicly displayed in eLibrary and eBuy within 24 hours.

missing documentation. Using eOffer and eMod more frequently will also reduce the probability that a CS represents a contracting action as complete, without the approval of a CO.

Recommendation

We recommend that the Commissioner of the Federal Acquisition Service:

1. Take steps to increase the use of eOffer and eMod within the IT Center.

Opportunities Exist to Increase the Detection of Incomplete and Inaccurate Contracts

The IT Center's contract award and modification review processes should ensure that contract documentation is complete and accurate and performance periods are continuous. Branch chiefs currently have the capability to review contracting actions within FSS Online, but do not regularly review them for accuracy or completeness. The IT Center has recently created a plan for internal contract reviews, but at the time of our review, had not completed one. Further, the IT Center currently communicates with vendors regarding contract basics, but does not routinely provide guidance on how the vendors can ensure that a valid contracting action has taken place. While the IT Center has taken positive steps toward reducing the risk that contracts with validity issues go undetected, improvements can be made.

As discussed previously, a CS in the IT Center awarded three contracts and exercised option periods for four contracts without gaining CO approval as required by procurement regulations. To determine how prevalent this practice was, we analyzed 18 active contracts. Although we did not identify any additional CSs awarding contracts without CO approval, we discovered other contractual discrepancies. Of the 18 contracts reviewed, 5 had missing, incorrect, and/or incomplete documents which could render them invalid. Four of the contracts had lapses in their performance periods prior to an option being awarded and one contract had multiple temporary extensions that were not properly signed by a CO, rendering them invalid. All of these contracts present a risk to the government. The contractual discrepancies identified in our contract review are outlined in Table 1.

Table 1: Contractual Discrepancies Identified During the OIG’s Contract Review

Contract	Issues
A	The contract had a one month gap in the performance period prior to the third option period. IT Center personnel could not locate the SF-30 for the second option period.
B	The contract had a gap prior to the first option period that exceeded one month, and a five month gap prior to the second option renewal. IT Center personnel could not locate the SF-30 for the first option period.
C	The contract had a two month gap in the performance period.
D	The contract had a four month gap in the performance period prior to the second option period. IT Center personnel could not locate the SF-1449 and other original award information.
E	The contract had three temporary extensions that were not signed by the CO, creating nearly a five month gap in the performance period.

While the United States Court of Appeals⁵ has held that a contract extension can be made after the performance period of the contract has expired; a Comptroller General decision⁶ found that if this is done, the extension does not cover the time period between when the contract ended and the extension was executed. This means that a contract is considered to be expired from the end date until a new bilateral modification to extend the performance period is issued. The Comptroller General decision also found that if task orders⁷ are placed against an expired MAS contract, those task orders become sole-source contracts. Therefore, task orders placed during this time period are at risk of being considered improper sole source awards, placing the customer in violation of the Competition in Contracting Act⁸. Improper sole source awards may have other consequences. First, the awardee’s competitors may submit a bid protest, as shown in the Comptroller General, Canon USA, Inc. decision (File B-311254.2, June 10, 2008). Second, as supported by the Armed Services Board of Contract Appeals decision in the case of Tecom, Inc. (No. 51591), contractors may request equitable adjustments if their actual costs are higher than those in the expired contract. Finally, GSA will not be a party to the sole source contract; therefore, GSA would not be entitled to the Industrial Funding Fees generated by the contract.

As outlined in Table 1 above, we identified contractual issues relating to the validity of 5 contracts. Due to the limited size of our review sample, we were unable to determine if

⁵ The Cessna Aircraft Company v. John H. Dalton, Secretary of the Navy (October 6, 1997)

⁶ DRS Precision Echo, Inc. B-284080, 2000 (February 14, 2000)

⁷ For this report, “task orders” refers to orders placed by customer agencies against GSA MAS contracts.

⁸ 10 U.S.C. § 2304(a)(1) (1994), requires that agencies obtain “full and open” competition through the use of competitive procedures.

this trend is present throughout the IT Center's contracts. However, to ensure that it is not, the IT Center should routinely review its MAS contracts. We suggest that the IT Center identify and review contracts that they determine to be high-risk to verify that all of the required documentation is present and that the performance period is continuous.

IT Center management recognized that many of their contracts included a multitude of temporary extensions prior to the award of option periods. To reduce the use of temporary extensions, the IT Center instituted a center-wide policy in August 2009 to restrict temporary extension approval to IT Center management, rather than allowing COs that responsibility. We believe the new policy is a positive step and should reduce the number of temporary extensions allowed on any one contract, but it may not prevent gaps in the performance period, such as the ones identified by the review team. To remedy this, the IT Center should give consideration to updating its policy, requiring that the individual issuing the temporary extension verify the continuity of the contract's performance period.

Utilize FSS Online Capabilities to Facilitate Management Reviews

IT Center management has taken action to identify contractual issues; however, they did not always detect contract deficiencies. To help remedy this, branch chiefs should perform contract reviews using the information found in FSS Online. To aid these reviews, the IT Center should enforce current center-wide policy for including modification documentation in FSS Online. If these management reviews are not performed, invalid contract actions may not be identified; thereby placing customer agencies at risk of violating Federal law and GSA at risk of losing compensation.

In an effort to identify contracts with potential issues, the IT Center has trained its branch chiefs to generate reports in FSS Online. These reports provide details on processed modifications such as the type of modification, its effective date, and the user that entered the information. However, the branch chiefs were not provided with any information as to how often, or in what circumstances, they should perform these reviews. Further, it was found that branch chiefs have not been reviewing these reports on a regular basis. IT Center management informed us that the contracting actions are only assessed if management feels there is a potential problem with an individual contract. One indicator that they stated may highlight a potential problem is if an action has been assigned to contracting personnel, but not completed for an unusually long period of time. However, if a CS were bypassing the CO review and awarding actions on his own, the contracting actions would most likely be open for a shorter period of time. Therefore, the indicator cited by management would not necessarily trigger a review and the issue would go unnoticed. While we recognize that training the branch chiefs is a positive step towards implementing a control; improvements can be made to the FSS Online review process including guidance on how often to perform these reviews. Strengthening the review guidance will enhance the branch chiefs' ability to detect questionable contracting actions using this method.

In order to facilitate the branch chiefs' reviews, we suggest that the IT Center enforce current guidance for including modification documentation in FSS Online. FSS Online has the capability to attach scanned documents to a contract's modification information. In fact, the IT Center's desk guide instructs contracting personnel to scan the SF-30 into FSS Online for all modifications. However, based upon our review, this is not always completed. If all finalized SF-30s were scanned and stored in FSS Online as required, the branch chiefs would be able to review modifications much more efficiently because all modification information would be housed in one location rather than having to compare what is in FSS Online to the paper contract file. The only other modification information available for review in FSS Online is manually entered by contracting personnel and may not accurately reflect the information on the SF-30, which is the official modification document. Therefore, if the SF-30 is scanned into FSS Online as required, it would enable the branch chiefs to identify if any of the required elements are missing and remediate any deficiencies.

Highlight Vendors' Contractual Responsibility

Processes are not currently in place to ensure that vendors are fully aware of what documentation constitutes a complete and valid contract or contracting action. We found that vendors accepted task orders against contracts with award or modification documentation that had not been signed by COs. By accepting task orders against invalid MAS contracts, vendors are inadvertently placing customer agencies at risk.

While primarily the responsibility of the IT Center, vendors are also responsible for the validity of MAS contracts. Contracting personnel are responsible for verifying documentation submitted by vendors and approving actions that are in the best interest of the government. Vendors should be aware of the status of their offer and the current terms and conditions of their contract. In the situation previously mentioned in which the CS did not gain proper approval before processing contracting actions, none of the vendors involved reported an anomaly to IT Center management. In fact, some of the vendors accepted task orders against these contracts. Vendors have a responsibility to report any changes made to their contracts that are not in accordance with the FAR. FAR 43.104(a) states that a contractor should notify the government if they feel their contract has been changed or will be changed without written notification and CO signature. However, in such cases, vendors may be unaware of how to ensure their contracts and all related contracting actions are in compliance with this regulation. If a vendor mistakenly believes they have a valid contract, they are at risk of accepting task orders against a non-existent MAS contract. As discussed previously, task orders that are issued against contracts that have expired become sole-source contracts, which are potentially in violation of the Competition in Contracting Act. If FAS makes an additional effort to inform vendors of the documentation that indicates a contracting action has been awarded or processed, then the risk of accepting task orders or proceeding with modifications without a MAS contract is reduced.

Information provided to vendors by the IT Center could be updated to improve vendors' ability to detect incomplete contracts. When the IT Center awards a MAS contract or an option period, the CO documents it on the SF-1449 or SF-30, as appropriate, and returns a copy to the vendor. Once these documents are signed by the CO and/or the vendor⁹, the award or option is official. When a vendor submits an offer to the IT Center for a MAS contract, the IT Center sends them a welcome letter. This welcome letter provides basic information about the award process. Similarly, when a contract's option period draws near, the IT Center provides the vendor with an option package. This option package describes what actions the vendor must take in order to exercise the option. Information could be provided at either or both points to clarify what constitutes a valid contract.

Maximize the Benefit of Internal Procurement Management Reviews

Current IT Center controls do not consistently identify improper contracts. We identified contracts with performance period gaps and a contract with unsigned modifications in our review. As stated above, an option exercised after a performance period gap would not cover any actions that took place during the time of the contract period gap. The FAR requires that a CO sign all contract modifications. The IT Center's policy dictates that an SF-30 will be used to execute a contract modification. Therefore, if the SF-30 is not signed by a CO, the modification is not valid. The IT Center is endeavoring to be more diligent in detecting contractual issues by developing an internal review process. At the time of our review, the IT Center's reviews had not been completed. If improper contracts continue to go unnoticed by IT Center management and personnel, agencies may place orders against invalid contracts.

The IT Center recently created standard operating procedures (SOPs) for its quarterly internal Procurement Management Reviews (PMRs)¹⁰, but at the time of our review none had been completed. These internal reviews have the potential to identify and remediate contracts with missing, incomplete, or incorrect documentation and to identify areas of improvement for contracting personnel. The first internal PMR was scheduled to begin on February 8, 2010.

According to IT Center management, the internal PMRs will be conducted by a team of no less than four IT Center employees. Two randomly selected contracts per branch per quarter will be reviewed. This will result in at least 16 contracts being subject to the internal PMRs per quarter. The scope of these reviews include ensuring that all major

⁹ The vendor does not have to sign the SF-30 for an option, unless a bilateral changes clause is cited.

¹⁰ These are to be conducted within the IT Center and are independent of the Procurement Management Reviews currently performed by the GSA Center for Procurement Management Review.

documentation¹¹ is completed, including those requiring a CO signature. It will also verify that the terms, conditions and other data held in FSS Online match the award documents in the contract file. If issues are identified, they will be reported to branch chiefs and COs for resolution.

The internal PMRs could be strengthened, as they currently do not address two important areas. First, they do not verify the continuity of the contract's performance period; which is an issue in the IT Center. Second, they do not verify the accuracy of data that the vendor enters into GSA Advantage. These additional steps would strengthen the IT Center's internal PMRs and help ensure contract validity.

If IT Center management implements the internal PMRs in accordance with their SOP, they can confirm that a minimum of 64 contracts per year are complete and accurate. Since the contracts are randomly selected for review, all COs and CSs have a chance of having their contracts reviewed. This may provide an additional incentive for contracting personnel to ensure that all contracts are in order, in preparation for review. Implementing the internal PMRs should assist the IT Center in reducing the likelihood that its contracts will have missing, incorrect or incomplete documentation.

Recommendations

We recommend that the Commissioner of the Federal Acquisition Service:

2. Require the IT Center to review contracts that IT Center management determines to be high-risk to ensure they are valid, including verification of the continuity of their performance periods.
3. Strengthen the initiatives to detect contracts that may be incomplete or inaccurate by:
 - a. Ensuring that IT Center management performs systematic reviews of contracts utilizing FSS Online.
 - b. Adding language to the welcome letters and option packages sent to vendors as part of the IT Center's award and modification processes to inform them that they must receive a copy of the Standard Form-1449 (for awards) and Standard Form-30 (for modifications) signed by a contracting officer to know that the contracting action is complete. The welcome letters and option packages should also include information on what action the vendor should take if they do not receive these signed documents.

¹¹ The documents that will be reviewed include the: Pre-negotiation Memorandum, Price Negotiation Memorandum, SF-1535 (Recommendation for Award), SF-1449, documentation supporting the award of an option period, and all SF-30s.

- c. Ensuring that the IT Center utilizes the internal Procurement Management Reviews and maximizes their value by taking action to remediate any contracting issues identified. Additionally, the standard operating procedures should be altered to include verification of the continuity of the performance period and verification of the vendor's data in GSA Advantage.

System Controls Should be Implemented to Ensure the Integrity of the Contracting Process

At the onset of this review, IT Center management became aware of a control weakness in the contract modification and award processes that allowed unwarranted contracting personnel to alter the state of contract actions in GSA information systems without CO approval. COs and CSs within the IT Center generally had identical privileges in FSS Online, but different authorities to obligate government funds according to the FAR¹². Without controls to limit access to certain functions within this system, unwarranted contracting personnel could enter data, giving incomplete contracts the appearance of being valid. Recognizing this, the IT Center took action to revise FSS Online user access, but more needs to be done.

FSS-19 is an automated supply system that supports GSA's mission of procuring goods and services for customer agencies. FSS Online is the front-end interface for FSS-19, which acquisition personnel use to administer contracts. FSS Online and FSS-19 have a shared database that feeds information to eLibrary and eBuy. ELibrary and eBuy are two GSA systems that customer agencies rely upon when searching for and ordering from MAS contracts. Because customer agencies rely upon these two sources for acquisition decisions, it is important that the original data source, FSS Online, is accurate.

After IT Center management became aware that the existing contract modification process allowed unwarranted contracting personnel to alter the state of contracting actions in FSS Online, they requested that the apply/award button, used to finalize modifications in the system, be restricted to COs. When the SCR was implemented, it removed the CS' ability to activate modifications in FSS Online. This change ensures that modification information displayed in eLibrary and eBuy has been approved by a warranted CO. Additionally, FAS' Office of Acquisition Management is currently reviewing the hierarchy tables used to provide access to FSS Online. FAS is being proactive; strengthening the controls associated with contract administration.

¹² FAR 1.602-1 states, "Contracting officers have authority to enter into, administer, or terminate contracts and make related determinations and findings. Contracting officers may bind the Government only to the extent of the authority delegated to them." This authority is delegated to COs in the form of warrants with a limit on the monetary amount they may obligate.

While system access for CSs has been limited relative to contract administration, their access related to contract award has not. Currently, if a paper offer is received by the IT Center, a CS has the ability to make it appear in FSS Online as though it were awarded, regardless of CO endorsement. There is not currently a control in place to ensure that a CO signs the SF-1449 for paper offers. To address this issue, the IT Center submitted a SCR that would allow only COs to transmit contract award data into FSS Online. However, it had not been fully reviewed, approved, or implemented during our review.

The Office of Management and Budget (OMB) Circular A-130 Appendix III, recognizes that "...the greatest harm has come from authorized individuals engaged in improper activities..." To prevent harm within Federal information systems, OMB recommends utilizing personnel controls including least privileged access. Least privileged access means that information systems should only be accessible by employees who must use the system during their normal job responsibilities and duties. There are two methods in providing least privileged access to employees: restricting their general access rights and restricting their type of access (e.g., read-only).

Without implementing proper system controls and ensuring least privileged access, FAS puts customers at risk. A CS can currently input award information in FSS Online without a CO's approval and this misleading information would then be transmitted to eLibrary and eBuy for use by customer agencies. As discussed previously, if a customer places a task order against one of these contracts, the task order may be considered a sole source contract. If the customer believes they are using a MAS contract, they likely would not take the additional steps to properly obtain a sole source contract, and therefore may be in violation of the Competition in Contracting Act.

In an effort to provide contracting personnel with the least privileged access as recommended by OMB, FAS should implement the SCR submitted by the IT Center. This will ensure that CS access and capabilities within FSS Online correlate to their job responsibilities and duties. Implementation of this SCR will more closely align the manual process to the systems process, with adequate consideration of the differences in authority that COs and CSs possess. Further, it will ensure that information supplied to customer agencies is accurate.

The Enterprise Acquisition Solution (EAS) is a FAS initiative that will modernize its IT systems. When implementing EAS, the FAS Office of the Chief Information Officer will incorporate all current system controls. Therefore, any new controls applied as a result of this report's recommendations should be communicated to the FAS Office of Acquisition Management representative on the Acquisition Process Improvement Plan Integrated Project Team. The transition to EAS will not be completed until FY 2015; therefore, any necessary control improvements will need to be made to the existing system, FSS Online, until the conversion is complete.

Recommendation

We recommend that the Commissioner of the Federal Acquisition Service:

4. Implement the System Change Request submitted by the IT Center to remove contracting specialists' ability to make awards appear complete in GSA information systems without contracting officer approval.

Conclusion

We identified control weaknesses in the contract award and modification processes within the IT Center. While we acknowledge that the IT Center has taken steps to address these issues, opportunities for improvement remain. An increase in the use of eOffer and eMod has the potential to improve contract quality. The controls that are built into the systems help to prevent contracting actions from being activated with missing signatures or documentation. In addition, the internal PMRs, vendor notifications, and the addition of management reviews in FSS Online should facilitate the process of identifying contractual discrepancies. Further, implementation of the proposed SCR will assist in tightening system controls and ensure that contract personnel are working within their authority.

Management Comments to the Draft Report

On June 4, 2010, the Acting Commissioner of the Federal Acquisition Service concurred with the findings and recommendations of the report. Management's written comments to the draft report are included in their entirety as Appendix A.

Internal Controls

This review was limited to the analysis of the controls within the award and modification processes of MAS contracts in the IT Center. Thus, our evaluation of internal controls was limited to the following five contracting processes: EOffer, paper offer, eMod, paper modification, and exercising an option. In addition, limited analysis of the internal controls of FSS Online occurred related to CO and CS user access rights and capabilities.

APPENDICES

REVIEW OF CONTROLS OVER CONTRACT AWARDS AND
MODIFICATIONS WITHIN THE CENTER FOR INFORMATION
TECHNOLOGY SCHEDULE PROGRAMS
REPORT NUMBER A090203/Q/A/P10007

Management Comments



GSA Federal Acquisition Service

JUN 4 2010

MEMORANDUM FOR KENNETH L. CROMPTON
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR ACQUISITION AUDITS (JA-A)

FROM: STEVEN J. KEMPF 
ACTING COMMISSIONER
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: GSA Draft Report, "Review of Controls Over Contract
Awards and Modifications Within the Center for IT
Schedule Programs" (A090203)

We have reviewed the subject draft report and appreciate the opportunity to comment. We agree with the findings and, as applicable, time-phased action plans are being developed to implement the report recommendations.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Wayne Williams at (703) 306-6134 or Wayne.Williams@gsa.gov.

cc: Michelle Westrup (JA-6)
James Femino (JA-A)

U.S. General Services Administration
2200 Crystal Drive
Arlington, VA 20406-0003
www.gsa.gov

**GSA Draft Report, "Review of Controls Over Contract Awards and Modifications
Within the Center for IT Schedule Programs" (A090203) – IG Report
Recommendations**

Recommendation 1 - Take steps to increase the use of eOffer and eMod within the IT Center.

QT concurs. Their S70 group has hired 2 IT Specialist, one of which is tasked to improve the emod/eoffer process and train staff on the systems to facilitate ease of use and use of these tools.

Recommendation 2 - Require the IT Center to review contracts that IT Center management determines to be high-risk to ensure they are valid, including verification of the continuity of their performance periods.

QT concurs. Specific actions will be detailed during the action plan stage.

Recommendation 3 - Strengthen the initiatives to detect contracts that may be incomplete or inaccurate by:

a. Ensuring that IT Center management performs systematic reviews of contracts utilizing FSS Online.

QT concurs. Specific action will be detailed during the action plan stage.

b. Adding language to the welcome letters and option packages sent to vendors as part of the IT Center's award and modification processes to inform them that they must receive a copy of the Standard Form-1449 (for awards) and Standard Form-30 (for modifications) signed by a contracting officer to know that the contracting action is complete. The welcome letters and option packages should also include information on what action the vendor should take if they do not receive these signed documents.

QT concurs. Supports the recommendation to add language to welcome letters and option packages set to vendors as part of the IT Center's award and modification processes. Currently, the IT Schedule Market Development Division plans to expand the S70, "How to Training", to include post-award training to vendors.

c. Ensuring that the IT Center utilizes the internal Procurement Management Reviews and maximizes their value by taking action to remediate any contracting issues identified. Additionally, the standard operating procedures should be altered to include verification of the continuity of the performance period and verification of the vendor's data in GSA Advantage.

QT concurs. Their S70 group plans to conduct an internal PMR the week of May 31, 2010, in preparation for the formal PMR which will convene on June 7, 2010.

Recommendation 4 - Implement the System Change Request submitted by the IT Center to remove contract specialists' ability to make awards appear complete in GSA information systems without contracting officer approval.

QT concurs. The System Change Request for GSA information systems which limits the ability of unauthorized personnel to finalize contract information was submitted on 9/10/09 SCR #158 titled "ORS - Internal Controls - Restrict Access to Award/Reject/Withdraw Offers". The SCR #158 SCR was revised under SCR 390, to include a system generated notice to the CO that documents are ready for signature. The CCB approved the recommendation and the SCR #390 is scheduled to be implemented in the August 2010 release.

REVIEW OF CONTROLS OVER CONTRACT AWARDS AND
MODIFICATIONS WITHIN THE CENTER FOR INFORMATION
TECHNOLOGY SCHEDULE PROGRAMS
REPORT NUMBER A090203/Q/A/P10007

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