CONTRACT MANAGEMENT

Improvements Would Strengthen Controls and Reduce Risk

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CONTRACT MANAGEMENT

Improvements Would Strengthen Controls and Reduce Risk

Objective

This report addresses the extent to which GAO has established an effective framework of controls to guide its contract management process.

What OIG Found

GAO has established a contract management framework of policy and procedures that is generally consistent with federal acquisition regulations and internal control standards. Our review of electronic and hardcopy files for a nongeneralizable sample of 28 contracts active in fiscal year 2015 found sufficient documentation to substantiate performance of several key controls designed to ensure effective contract management. In addition, the acquisition staff responsible for the administration of the sampled contracts generally complied with GAO’s acquisition certification requirements. Our review also identified areas where improved guidance, documentation, and oversight were needed to strengthen controls and reduce risk. For example,

- Documentation to substantiate that key contract management controls—such as acquisition planning and price reviews of contractors’ proposals—had been adequately implemented was not maintained in the official contract files for several contracts reviewed.

- Timeframes for completing timely contract closeouts were not specified in GAO policy and procedures, and effective oversight of completed contracts to ensure they were properly closed was lacking. As a result, as of April 2016, GAO had identified 1,183 completed contracts awaiting closeout.

What OIG Recommends

We are making five recommendations for the Comptroller General to direct the Controller/Deputy Chief Financial Officer to implement additional guidance and monitor compliance with key control requirements to address contract closeout backlog and to update acquisition certification policy and procedures. GAO agreed with our recommendations, and has taken or initiated efforts to address them.
Date: July 1, 2016

Memorandum For: Gene L. Dodaro
Comptroller General of the United States

From: Adam R. Trzeciak
Inspector General

Subject: Transmittal of Office of Inspector General (OIG) Audit Report

Attached for your information is our report, Contract Management: Improvements Would Strengthen Controls and Reduce Risk (OIG-16-3). The audit objective was to evaluate the extent to which GAO has established an effective management control framework to guide its contract management process.

Our review found that GAO has implemented a framework of controls, policy and procedures, designed to ensure effective contract management. A number of these controls are based on federal acquisition regulations and other federal contracting guidance. However, GAO can strengthen its contract management to reduce its risk in several areas, including contract planning, oversight, and closeout.

The report contains five recommendations aimed at strengthening GAO’s contract management policies, procedures, and oversight. GAO agreed with our recommendations, and has taken or initiated efforts to address them. Management comments are included in Appendix III of our report. Actions taken in response to our recommendations are expected to be reported to our office within 60 days.

We are sending copies of this report to the other members of GAO’s Executive Committee, GAO’s Audit Advisory Committee, and key acquisition managers. The report is also available on GAO’s website at http://www.gao.gov/about/workforce/ig.html.

If you have questions about this report, please contact me at (202) 512-5748 or trzeciaka@gao.gov.

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Abbreviations

AM  Acquisition Management
CO  Contracting Officer
COR  Contracting Officer’s Representative
CS  Contract Specialist
FAI  Federal Acquisition Institute
FAR  Federal Acquisition Regulation
FAC-C  Federal Acquisition Certification in Contracting
FAC-COR  Federal Acquisition Certification for Contracting Representatives
FPDS  Federal Procurement Data System
GSA  General Services Administration
OFPP  Office of Federal Procurement Policy
OIG  Office of Inspector General
OMB  Office of Management and Budget
PRISM  Portable Reusable Integrated Software Modules
SBA  Small Business Administration
SOP  Standard Operating Procedure
TFM  Treasury Financial Manual
Introduction

Contract management contributes to GAO's ability to maintain the quality, timeliness, and usefulness of its work in support of the Congress. Annually, GAO acquires approximately $100 million in goods and services, including those related to maintenance, security, information technology, food services, utilities, and travel. Given this substantial sum, it is critical that GAO identify and mitigate its contract management risks. Without well-designed and implemented controls, GAO's acquisitions could be vulnerable to such risks as poor contractor performance, cost overruns, purchases that are inconsistent with management objectives, and non-compliance with legal requirements.

Objective, Scope, and Methodology

As one of the first in a series of contract management audits we plan to perform, this report assesses the extent to which GAO has established an effective management control framework to guide its contract management process. We did not analyze or assess contract performance or costs or the basis of any documented GAO contract management conclusions or decisions as a part of this audit. To achieve our audit objective, we identified GAO policy, procedures, and guidance related to contract management and compared them to applicable laws, regulations, and best practices to assess consistency and identify key controls. We interviewed acquisition managers and staff and others involved in contract management functions and activities (e.g., selected contracting officers, contract specialists, and contracting officer representatives) to obtain an understanding of their roles and responsibilities regarding contract management. To assess key controls, we selected and reviewed contract documentation for a nongeneralizable sample1 of 28 GAO contracts2 that were active during fiscal year 2015. We also reviewed GAO contract closeout policy and procedures and learned the status of contracts pending completion of contract closeout procedures. While we refer to a listing of contracts pending closeout provided by GAO in this report, we did not test the reliability or completeness of GAO's listing and provide no assurances regarding this information.

In addition, we determined whether the contracting officers and representatives assigned to the 28 contracts sampled were appropriately certified in federal acquisition management as required by GAO policy. Additional information on our scope and methodology is presented in appendix I.

We conducted this performance audit from May 2015 through June 2016 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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1Because the sample is a nongeneralizable sample, our results cannot be generalized to the population of GAO’s contracts.

2GAO used seven contract types in 2015: (1) firm-fixed-price level-of-effort, (2) labor-hour, (3) delivery/task orders, (4) blanket purchase agreements, (5) firm-fixed-price, (6) purchase orders, and (7) interagency agreements. We excluded interagency agreements from our test population of contracts because they relate to contracts awarded and managed by other agencies and are subject to different requirements.
Background

The Federal Acquisition Regulation (FAR) contains rules, standards, and requirements related to the acquisition of goods and services by a federal agency through the use of appropriated funds. As a legislative branch agency, GAO is not required to follow the FAR. However, as a matter of policy, GAO has indicated that it will generally follow the FAR.

The authority and responsibility to contract for authorized GAO supplies and services is vested in the Comptroller General. This responsibility has been delegated, through the Chief Administrative Officer and Controller, to the Director, Acquisition Management (AM), as GAO’s Contracting Officer. AM is responsible for administering GAO’s contract management activities, including establishing, communicating, and monitoring compliance with agency policy and procedures. To ensure consistent application of management directives, AM has established a framework of policy and procedures to provide direction to key staff involved in supporting contract management throughout four contract phases: preaward, award, administration, and closeout.

Consistent with good internal controls, federal regulations require that documentation in contract files be sufficient to constitute a complete history for the purposes of: (1) informing decisions at each step in the acquisition process; (2) supporting actions taken; (3) providing information for reviews and investigations; and (4) furnishing essential facts in the event of litigation or congressional inquiry. GAO maintains its contract management documentation electronically in Portable Reusable Integrated Software Modules (PRISM) and in centrally maintained hardcopy contract files.

Staff in various GAO units work together to execute and monitor GAO contracts. Figure 1 describes the activities performed by these staff within each contract phase that are crucial to executing contract activities and ensuring compliance with management directives and federal requirements.

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3In January 2015, GAO restructured AM into two groups: Acquisition Management Policy and Acquisition Management Operations.
Figure 1: General Overview of GAO’s Contracting Process

<table>
<thead>
<tr>
<th>Preaward</th>
<th></th>
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<tbody>
<tr>
<td>The requesting unit identifies its need for goods or services.</td>
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<td>The requesting unit initiates a requisition to document management’s approval to start the contracting process.</td>
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<tr>
<td>The budget office determines whether the funds are available, then generates, approves and releases the requisition.</td>
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<tr>
<td>The requesting unit describes the goods, services, and/or other requirements that would meet its needs in a statement of work.</td>
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<tr>
<td>The requesting unit develops an acquisition plan to ensure that the acquisition will meet its needs.</td>
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<tr>
<td>The Contracting Officer (CO) and/or Contract Specialist (CS) publicize contract opportunities over $25,000 to solicit offers or quotes from potential sources.</td>
<td></td>
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<tr>
<td>The CS, Contracting Officer’s Representative (COR) and/or requesting unit evaluate the proposals received on technical and pricing information. The CO or CS also determine whether prospective contractors are allowed to contract with the government.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Award</th>
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<tbody>
<tr>
<td>The CO awards the contract.</td>
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<table>
<thead>
<tr>
<th>Contract Administration</th>
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<tbody>
<tr>
<td>The CO, CS, and COR monitor and evaluate the contractor’s performance to ensure compliance with the contract requirements.</td>
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<table>
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<tr>
<th>Contract Closeout</th>
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<tbody>
<tr>
<td>After the contract is completed, the CO and the COR initiate closeout procedures to ensure that all contract requirements have been satisfied and administrative matters are complete. These matters include:</td>
<td></td>
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<tr>
<td>• adjusting for any over- or underpayments based on the final invoice,</td>
<td></td>
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<tr>
<td>• deobligating any excess funds.</td>
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</table>

Source: OIG analysis of GAO’s contract management policy and procedures. | OIG-16-3

**Note:** This figure presents a general overview of GAO’s contracting process. Not all steps apply to each contract type or approach.

Contracting officers and contract specialists are acquisition management staff. Contracting officer’s representatives work for the GAO unit that identified the need and initiated the acquisition request.

- **Contracting officers** ensure that all necessary actions for effective contracting are performed, oversee contractor compliance with the terms of the contract, and safeguard the interests of the government in GAO’s contractual relationships. The contracting officer is the only person authorized to enter into, modify, and terminate a contract.
• **Contracting specialists** represent and assist a contracting officer throughout the contract process; however, contracting specialists are not authorized to enter into, modify, or terminate a contract.

• **Contracting officer’s representatives** ensure that program requirements (buyer needs) are clearly defined, monitor the contractor’s performance, and provide technical direction to the contractor.

### A Contract Management Framework Is in Place, but Improvements Would Strengthen Controls and Reduce Risk

GAO has established a contract management framework of policy and procedures that were generally consistent with federal acquisition regulations and internal control standards. Our review of electronic and hardcopy files for 28 contracts active in fiscal year 2015 found sufficient documentation to substantiate performance of several identified key controls that were intended to support compliance with GAO and federal acquisition requirements and reduce contract risks. However, we found instances where contract documentation did not substantiate the performance of other key control activities, such as documentation of acquisition planning and price reviews of contractors’ proposed prices, which potentially increases GAO’s contract risk. We also found that GAO’s controls for ensuring timely contract closeouts were not effective.

A knowledgeable and informed workforce is also an important element of an effective framework. In this regard, we found that most of the contracting officers and contracting officer’s representatives assigned to the contracts selected for review had obtained and maintained appropriate federal acquisition certifications as required. However, we noted that one contracting officer and one contracting officer’s representative among those selected for review were not certified as required. In addition, we noted that GAO’s policy and procedures do not address certification waivers or detail roles and responsibilities for monitoring compliance with the certification requirements.

### GAO Has Established a Contract Management Control Framework Generally Consistent with Federal Acquisition Requirements

Our review of GAO’s contract management policy, procedures, and documentation supporting the execution of key control activities found that GAO had established a control framework that is generally consistent with federal acquisition requirements. Specifically, we compared GAO’s contract management policy documented in GAO Order 0625.1, U.S. Government Accountability Office Procurement Guidelines, and the procedures from its Acquisition Management Standard Operating Procedures (SOP) and templates to the FAR and other applicable regulations. Overall, we found that GAO’s policy and procedures addressed most of the laws, regulations, best practices, and internal control requirements relevant to GAO contract management. For example, we found that, consistent with the

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FAR and other applicable regulations, GAO policy and/or procedures require acquisition staff to:

- promote and provide full and open competition in soliciting offers and awarding contracts, or otherwise documenting a justification for noncompetitive awards obtaining the necessary approval (FAR § 6);
- evaluate a contractor’s proposal to determine whether the proposal addresses the technical requirements of the acquisition, and the proposed price is reasonable (FAR §§ 15.402 and 15.404);
- obtain the signature of a contracting officer for each contract and contract modification awarded by GAO (FAR §§ 4.101 and 43.102); and
- evaluate, and document the evaluation of the contractor’s performance to help ensure that the contractor performs the technical requirements of the contract in accordance with the contract terms, conditions, and specifications (FAR § 42.15 and OMB guidance).

In addition to comparing GAO policy and procedures to applicable federal acquisition requirements, we reviewed electronic and hardcopy contract files for a nongeneralizable sample of 28 contracts active in fiscal year 2015 to assess whether GAO had sufficient documentation to substantiate that it had performed key controls as required by its policy and federal regulations. Our review of GAO’s contract documentation found that controls were generally effective in documenting compliance with key acquisition requirements, as the examples below highlight. A complete summary of our results is shown in appendix II.

- **Requisition Forms:** GAO maintained approved requisition forms for the 28 contracts reviewed. GAO uses a requisition form to document the needs of the requesting unit for goods or services and the management approval that was obtained to initiate the procurement process.

- **Budget Verifications:** The requesting units verified with the budget office that sufficient funding was available prior to initiating the procurement process for each of the 28 contracts reviewed. Verifying the availability of funds helps reduce financial risk by ensuring that resources are available to cover obligations prior to executing a contract to acquire goods or services. This also assures compliance with federal appropriations statutes and avoids deficiency scenarios.

- **Contracting Officers’ Contract Approvals:** Each of the 28 contracts reviewed was signed by a contracting officer. Because only a contracting officer is authorized to commit or bind the government to a contract, it is important to ensure that all contracts are reviewed and signed by an authorized contracting officer prior to executing the contracts.

**Insufficient Guidance and Monitoring Diminish Compliance with Management Directives and Increase Contract Risk**

In our review of contract files (electronic and hardcopy) for the 28 contracts sampled, we found instances where the files did not contain documentation substantiating the performance of key control activities, such as the development of an acquisition plan or
performance of a price review of the contractors' proposal, intended to reduce contract risks. In February 2016, we shared the preliminary results of our sample with AM management to give GAO the opportunity to provide documentation supporting compliance with those requirements. After receiving additional documentation to support contract management control activities, we updated our analysis, as appropriate. Appendix II contains a summary of our final results.

Based on our review of GAO policy, procedures, and sampled contract management files, it appeared that most of the control deficiencies identified may have occurred, in part, because of gaps in GAO guidance or insufficient monitoring. For example, while AM management initiated a practice to require the contracting officers to perform post-award reviews, we found that they did not develop a policy or procedures to communicate to staff what a post-award review entails and how it should be documented.

As summarized in appendix II, we found that key contract management improvements are needed in the following areas:

- **Acquisition Plans**: An acquisition plan is an overall strategy documented by the requesting unit for coordinating and integrating the acquisition team’s key control activities to fulfill the requestor’s need in a timely manner and at a reasonable cost. The plan must address all the technical, business, management, and other significant considerations that will control the acquisition cost. When performed correctly, acquisition planning ensures that the requirements are presented in a way that promotes full and open competition, as well as identifies impediments that could delay the acquisition or lead to increased cost. The level of acquisition planning is dependent on various factors including complexity, and dollar value. Inadequate acquisition planning increases the risk of acquisitions not meeting GAO’s needs in the most effective, economical, and timely manner.

According to the FAR and GAO’s acquisition plan templates, all acquisitions should involve some level of planning to ensure effective, economical, and timely purchases of goods and services. GAO requires a written acquisition plan for all acquisitions with an expected value greater than the simplified acquisition threshold. Of the 28 active contracts we reviewed, 16 required a written acquisition plan. However, only 7 of these 16 contracts had documented their acquisition planning.

The remaining 9 contracts, with a total value over $45 million, may not have had documented acquisition plans because GAO’s guidance regarding when a plan is required was unclear. For example, although GAO has developed “formal” and “informal” acquisition plan templates, it has not clearly stated that a documented plan is required in its policy, procurement guidelines, or acquisition management SOP. Further, none of the GAO contract management policy or procedural documents

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648 C.F.R. § 7.1.

7 See, 48 C.F.R. § 2.1. At the time of our audit, the simplified acquisition threshold was $150,000. The intent of the simplified acquisition procedures is to streamline the federal procurement process by allowing agency officials to expedite the evaluation and selection processes and keep documentation to a minimum.
reviewed made reference to or directed users to the “informal” and “formal” acquisition plan templates available on the GAO intranet.\textsuperscript{8}

In addition, we found inconsistencies in the guidance included in each acquisition plan template that may further contribute to confusion regarding when an acquisition plan is required. For example, we found that while the “informal” acquisition plan template required all contracts to have a documented acquisition plan on file, the “formal” acquisition plan template only requires a “formal” acquisition plan for cost-reimbursable or high-risk contracts. The “formal” plan template also states that the requirement for an acquisition plan is optional for firm-fixed-price contracts. During a discussion of our preliminary results, AM management clarified that its intent is to require a documented acquisition plan for all contracts with a value greater than the simplified acquisition threshold, and that it would take action to clarify the guidance.

• **Source Selection Plans:** The source selection plan is a key document prepared by AM that specifies how a contractor (source) will be selected and serves as the guide for evaluating and analyzing proposals, and selecting the source(s) for the acquisition. It can best be described as a blueprint for determining how the needs of the requestor can be met while achieving the highest value with the least risk.

The FAR\textsuperscript{9} and GAO’s acquisition management SOP require contracting officers to approve a source selection strategy or plan for new acquisitions. In addition, GAO’s procurement guide states that a thoroughly contemplated plan for selecting a best value source is vital to any source selection process.\textsuperscript{10} Generally, a source selection plan is not required for contracts awarded without competition or contracts under the Federal Supply Schedule. Of the 28 contracts we reviewed, 7 required a source selection plan. Of those 7 contracts, 3 had a documented strategy on file. The remaining 4 contracts, with a total value of approximately $32 million, contained no documentary evidence that a selection strategy was developed.

Although the procurement guide highlights the importance of a source selection plan and the acquisition management SOP requires the contracting officer to approve the plan, neither the guide nor the SOP provide the level of guidance needed to ensure consistency and compliance. Such guidance would include information on the threshold/criteria that should be considered when determining whether a plan is required, who is responsible for preparing the plan and when, what process steps should be followed when developing the plan, and what information must be included. During our discussion with AM management regarding our preliminary results, they agreed that additional guidance is needed regarding GAO’s source selection plan requirements and processes. Inadequate source selection planning could increase the risk that GAO fails to select the contract source with the best value and level of risk. It may also make GAO vulnerable to a bid protest if an award is challenged and there is

\textsuperscript{8}AM requires the use of the “Informal” Acquisition Plan template for contracts with an estimated value between $150,000 and $2.5 million, and the “Formal” Acquisition Plan template for contracts with an estimated value exceeding $2.5 million.

\textsuperscript{9}48 C.F.R. § 15.303(b)(2).

\textsuperscript{10}GAO’s *Customer Guide to Procurement at GAO* (undated).
no documentation to support that it followed a thoughtful and disciplined approach to identifying and selecting its acquisition source.

- **Technical Review of Contractors’ Proposals:** The technical review is essential in ensuring that the prospective contractors have the required technology, expertise, and capacity to accomplish the technical requirements of a contract. The FAR\(^{11}\) and GAO’s acquisition management SOP require that the technical aspects of the contractors’ proposals be evaluated. Additionally, the SOP requires that a technical panel of at least three members perform the review of competitive procurements. The technical panel is responsible for documenting the results of its review in a written report, including a determination of the scores and rating for each proposal. In addition to the written report, the SOP requires each member of the technical panel to sign a Procurement Integrity Act certification form to help ensure the protection of procurement information and avoid potential conflict of interest issues. The signed forms are to be maintained in the contract file.

For contracts under the Federal Supply Schedule or with contractors within the scope of Small Business Administration (SBA) regulations,\(^{12}\) GSA and SBA respectively are responsible for reviewing and certifying the contractors’ technical capabilities. GAO was responsible for performing the technical review for 15 of the 28 contracts reviewed. We found that the required technical review was documented for 9 of 15 contracts. The remaining 6 contracts, with a total value over $4 million, either did not have documentation to support that a technical review was performed, or the documentation indicated that the technical review that occurred did not fully comply with GAO’s policy. Specifically, we found no technical evaluation reports or similar documentation in the contract files for 4 contracts, though one of these files did include a source selection approval memo that indicated that a technical review of the contractors’ proposal was performed. For one of the two contracts that did not fully comply with GAO’s technical review policy, we found that the technical evaluation report did not contain scores and ratings as required by GAO’s Acquisition Management SOP. In the other contract that did not fully comply with the policy, we found that a technical evaluation was performed, but it was performed by the contracting officer and the contract specialist and not by a panel of three members as the acquisition management SOP requires for all competitively-awarded contracts.

If technical evaluations of a contractor’s proposal are not prepared, as required, GAO may not have sufficient assurance that assessments are objective and that the contractor possesses the technical capability to satisfy the requestor’s needs and contract terms. Using a contractor that does not have sufficient technical experience or capabilities may increase contract risks due to schedule delays, cost overruns, or poor quality goods or services.

A panel was used for 10 of the 15 contracts that required a technical review.\(^{13}\) We found signed Procurement Integrity Act certification forms for only 5 of the 10 contracts

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\(^{11}\)48 C.F.R. § 15.305(a)(3).

\(^{12}\)13 C.F.R. Part 101, et seq.

\(^{13}\)In one instance, the contract file contained a source selection approval memo referencing technical evaluations of contractors’ proposal by a review panel, but the technical evaluation report was not in the file at the time of our review.
that used a technical panel. This increases the risk of potential conflict of interest and fraud in GAO’s negotiated contracts. Without a signed Procurement Integrity Act certification form for each panel member, there is insufficient support that (1) steps were taken to identify and address potential conflicts of interest (financial or otherwise), and (2) that all information learned during the procurement process would be maintained in strict confidence to preclude any prospective vendor from obtaining a competitive edge over another competing vendor. The process of obtaining these certifications is an important control in helping to ensure that panelist evaluations of a potential contractor are objective and reliable. In addition, Procurement Integrity Act certifications help ensure GAO has sufficient basis to enforce actions against staff violating the conflict of interest rules.

- **Review of Contractor’s Price Proposals:** A price/cost evaluation of prospective contractors’ proposals is a key control activity to ensure that the proposed price is appropriate, accurate, fair, and reasonable. The acquisition management SOP assigns this responsibility to the contract specialist. The FAR also establishes a requirement for price evaluations.\footnote{48 C.F.R. § 15.404.} Of the 28 contracts reviewed, 14 contained sufficient support that the contract specialist reviewed the contractors’ proposed costs for accuracy and reasonableness as required. The remaining 14, with a total value of approximately $16 million, contained insufficient support that this control activity was performed.

Evidence of this control activity may have been lacking because while the SOP provides some guidance regarding the process that a contract specialist should follow to review the contractors’ proposed costs, it does not specify how or when the cost analysis should be documented. Lack of documentation to support price reviews potentially increases GAO’s risk regarding the accuracy and reasonableness of the prices it has agreed to pay contractors, and may lead to increased costs for GAO.

The lack of documentation substantiating performance of price reviews for half of the 28 contracts reviewed indicates a need for more effective oversight and monitoring on the part of acquisition managers. It also indicates that for some contracts, there is no clear or reliable audit trail to support an independent review of GAO’s contract decisions. For example, the contact file for one of the largest contracts in our sample contained different price schedules covering multiple years and references the use of fixed-price and time-and-material rates in the price.\footnote{Time-and-materials contracts are not fixed-price contracts. A contractor operating under a time-and-materials contract could conceivably work less efficiently so that more hours could be charged to the government.} Time-and-materials contracts are considered high-risk for the government because there is no profit incentive to the contractor for cost control or labor efficiency. The contractor’s total estimated cost for this contract was over $95 million, including over $3 million of estimated indirect costs.\footnote{Indirect costs are costs of activities that cannot be specifically identified with a specific contract but which indirectly support two or more contracts, such as management, administrative, and facility costs.} However, the files for this particular contract did not contain documentation to support GAO’s evaluation of the proposed costs, including the basis, applicability, and reasonableness of the estimated indirect costs. When we followed up with AM management, including the contracting officer, regarding how the proposed rates were evaluated to determine whether they were accurate and reasonable, they were unable
to locate supporting documentation or walk us through how the evaluation was performed for this contract.

- **Recommendation for Award:** After a source has been selected and evaluated, the acquisition process enters the award phase. Thorough preparation of a recommendation for award is necessary to facilitate the award process. The recommendation for award generally includes details on the procurement process followed, and the evaluation undertaken and related results that led to the recommendation to award the contract to a particular source. The FAR requires agencies to document the rationale and all business decisions leading to the award recommendation.\(^{17}\) This is important not only to provide the contracting officer with a sufficient basis for reviewing and approving the recommendation as part of their governance and accountability responsibilities, but also for supervisory and independent review. The acquisition management SOP requires the contract specialist to complete a recommendation for award form to summarize the procurement process that was followed, the reasons why the selected contractor was recommended for award, and to document the related management approval. The contract specialist, contracting officer, General Counsel, AM’s Director, and the contracting officer’s representative all must sign the form. In 15 of the 28 contracts reviewed—with a total value of more than $3 million—we did not find a completed recommendation for award form. Without a documented recommendation for award, GAO may not have sufficient assurance that management’s stated intent to obtain the best acquisition value possible is achieved, and that its process for achieving this management objective can be validated through an independent review.

- **The Contracting Officer’s Representative Designation Letter:** Contracting officer’s representatives play a critical role in ensuring that contractors meet the commitment of their contracts. They are typically responsible for monitoring the contractors’ performance and providing technical direction to the contractors. The acquisition management SOP requires its contracting officers to assign a contracting officer’s representative to each contract. GAO’s Contracting Officer’s Representative Handbook requires the contracting officers to issue a Contracting Officer’s Representative Designation Letter to each contracting officer’s representative to document their specific duties, authorities, responsibilities, and limitations. The contracting officer, the contracting officer’s representative, and the contractor all must sign the designation letter. Of the 28 contracts reviewed, 21 required a contract designation letter. Seven of the contracts we reviewed contained a memorandum in the contract file indicating that the contracting officer determined that no contracting officer’s representative was needed for the contract. Of the 21 contracts to which a contracting officer’s representative was assigned, 6 contracts, with a total value over $7 million, did not contain a signed designation letter. Given the key role of the contracting officer’s representative, it is important that specific roles, responsibilities, and limitations of this position be clearly communicated, understood, and agreed to by all parties as the designation letter is intended to document. Ineffective communication of roles and responsibilities increases GAO’s risk that staff in key roles, such as a contracting officer’s

\(^{17}\)48 C.F.R. § 15.308 (GAO’s Recommendation for Award form documents the underlying basis for selection of the contractor).
representative, will not effectively execute their monitoring and oversight responsibilities.

- **Contractors’ Performance Evaluations**: Evaluating contractor performance is critical for determining whether the needs of the agency are being met or identifying and taking appropriate corrective actions if the needs of the agency are not being met. To ensure that contractor performance is assessed, the FAR\(^\text{18}\) and the acquisition management SOP require a documented evaluation of contractor performance for contracts with a value greater than the simplified acquisition threshold at least annually and at completion.

Of the 28 contracts sampled, 10 required at least an annual evaluation of the contractor’s performance. The remaining 18 contracts reviewed either did not meet the simplified acquisition threshold or had not yet completed their first contract year at the time of our review. Of the 10 contracts that required an evaluation, 7 contained evidence that an evaluation was performed. The remaining 3 contracts, with a total value of approximately $38 million, either did not contain a documented performance evaluation or the evaluation did not fully comply with GAO’s policy. For example, for one of the three contracts, GAO did not document its annual evaluation of the contractor’s performance for the first 2 years of the contract. When the contractor’s performance was evaluated and documented at the end of the third year of the contract, the contractor received a “poor” performance rating. GAO renewed this contract for a fourth year in spite of the performance concerns because the COR did not report the contractor’s performance issues until the end of contract’s third year.

Monitoring and evaluating the contractor’s performance at least annually, as required, would have provided GAO with the opportunity to identify and potentially remediate contractor performance issues before renewing a poor-performing contractor for a fourth year. Inadequate or a lack of monitoring to help ensure compliance with the requirements of a documented performance evaluation of contractors increases the risk that GAO’s procurement objectives—such as obtaining quality goods and services on time and within budget—will not be met.

**Contract Closeout Procedures were Not Performed Timely**

When a contract ends, GAO policy and procedures require the contract officer and the contracting officer’s representative to undertake a number of steps to close the contract. These steps, among others, include procedures to ensure that all contract requirements have been satisfied, that government property provided to the contractor was returned to GAO, and that administrative matters including adjusting for any over- or underpayments based on the final invoice and deobligating any excess funds were completed. The closeout process is an important internal control, in part, because it is generally the last opportunity for GAO to detect and recover any improper payments. How long or complex the closeout process is depends on the contract type and the level of oversight performed while the contract was active.

\(^{18}\text{48 C.F.R. § 42.1502.}\)
GAO’s contract closeout policy and procedures are provided in several documents, including its Contracting Officer’s Representative Handbook, and in two separate Financial Management and Business Operations and Acquisition Management standard operating procedures. The Acquisition Management SOP provides a general statement that contract closeout is required and refers to other sources for guidance, such as the FAR Subpart 4.804-5, Procedures for Closing Out Contract Files, and a closeout checklist that is cited as being part of the SOP’s appendix but was not included in the appendix. GAO’s Contract Deobligation/Closeout Standard Operating Procedures provide more specific guidance regarding review and follow-up on outstanding open obligations following the end of contract performance or termination. However, our review of these and other GAO policy and procedures found that GAO had established no timeframe requirements for completing contract closeouts. The FAR requires agencies to close out a contract within specified time periods, depending upon the type of contract, after the work is physically completed (i.e., goods or services are provided). For example, the FAR generally calls for fixed price contracts to be closed within 6 months; contracts requiring the settlement of indirect costs rates, such as cost reimbursement contracts, to be closed within 36 months; and all other contracts to be closed within 20 months. These time frames begin in the month in which the contracting officer receives evidence of physical completion of the contract.

During initial interviews with AM management, the AM Director provided us with a listing of completed contracts pending closeout. According to AM management, the team had prioritized its resources toward evaluating contracts to deobligate any excess funds, which is one of several steps for completing contract closeout, but lacked sufficient resources to fully complete the contract closeout process. Subsequently, GAO’s Chief Administrative Office assigned a program analyst to work with AM to identify and reduce GAO’s backlog of contracts pending closeout. As part of this effort, AM management began efforts during our audit to develop additional guidance and templates for processing contract closeouts. In addition, AM management provided in-house contract closeout training to key staff; and delegated implementation of the contract closeout procedures to the program analyst who was assigned to assist the team in reducing its backlog of contracts pending closeout. AM management also queried PRISM and identified 1,878 contracts with a total obligated amount of over $599 million that were pending contract closeout, as of September 2015.

Although the FAR provides specific timeframes for completing contract closeout procedures, we found that completion dates for contracts pending closeout included in GAO’s listing extended as far back as 2008, when GAO implemented PRISM. However, we were unable to determine the number of contracts that exceeded the timeframes specified in the FAR by contract type due to instances in which PRISM lacked sufficient detail regarding contract type or the period of performance needed to make this determination. Based on completion dates that were available for most contracts in PRISM, we determined that at least 1,100 of the contracts with completion dates in PRISM were completed but not closed for a period extending longer than 36 months.

As of April 2016, the program analyst assigned by the Chief Administrative Office to work with AM in reducing the contract closeout backlog had indicated that the number of contracts identified in PRISM that were pending closeout was reduced to 1,183 contracts with a total obligated amount of $515.6 million. During follow-up with AM management, we also found uncertainty among AM managers as to whether additional contracts pending closeout may exist in the pre-2008 legacy system that were not migrated to PRISM. We
provide no assurance regarding the reliability or completeness of GAO’s backlog of contracts pending closeout.

Acquisition Professionals Generally Complied with Certification Requirements

A key component of an effective control environment is whether management has demonstrated a commitment to ensuring that competent individuals are recruited, developed, and retained for key positions. Further, an effective control environment ensures that staff are assessed and held accountable for their performance in fulfilling their internal control responsibilities. We found that while GAO is not subject to the Office of Federal Procurement Policy (OFPP) and the Federal Acquisition Institute (FAI) Federal Acquisition Certification in Contracting (FAC-C) program, it had elected to follow the program as a career management tool. Specifically, the acquisition management SOP requires that all contracting officers and contracting officer’s representatives obtain the FAC-C and Federal Acquisition Certification for Contracting Representatives (FAC-COR) certifications respectively. According to AM management GAO implemented these programs in 2007.

The FAC-C and FAC-COR programs established core requirements for education, training, and experience for contracting professionals. The purpose of these programs is to provide key personnel involved in performing contracting and procurement activities and functions the general education, training, and experience needed to perform their assigned roles and responsibilities competently.

We reviewed the acquisition staff assigned to the 28 contracts sampled for compliance with the certification requirements. Six of the seven contracting officers, and 13 out of the 14 contracting officer’s representatives assigned to the sampled contracts had received the required acquisition certification. In the case of the one exception among the contracting officers, AM management indicated that AM intended to waive the FAC-C requirements because the contracting officer did not have the education level required for the certification. However, GAO could provide no documentation to support its waiver of the certification requirement for this contracting officer. Further, GAO policy and procedures do not address a process for requesting, approving, and documenting waivers for the acquisition certifications. Both the FAC-C and FAC-COR programs allow agencies to extend a waiver of the certification requirement on a case-by-case basis. However, the waiver needs to be documented in writing and approved by the agency’s Chief Acquisition Officer (in GAO, this would be the Controller/Deputy Chief Financial Officer). When GAO implemented the FAC-C program in 2007, contracting officers that received a warrant prior to January 1, 2007 were exempt from the certification. However, in May 2014, the FAC-C program eliminated this exemption, but provided a period of two years for the contracting officers exempt from the certification under the previous policy to be certified.

19As of June 2015, GAO had a roster of 8 contracting officers and 60 contracting officer’s representatives.

Regarding the contracting officer’s representative, we found that the individual registered but did not complete the training required for certification, and that AM management was unaware of the noncompliance. In response to our work, the contracting officer plans to reassign the contract to a certified contracting officer’s representative. While the acquisition management SOP states that AM is responsible for overseeing GAO’s acquisition professional development program, it does not identify specific roles and responsibilities for fulfilling this responsibility. For example, AM management indicated that the contract specialists are responsible for ensuring that the contracting officer’s representatives assigned to their contracts obtain the initial certification within the allotted time. However, GAO’s acquisition policy and procedures do not identify the contract specialists as responsible for monitoring their contracting officer’s representative’s compliance with certification requirements.

Only contracting officers can enter into, terminate, or change a contractual commitment on behalf of the government. The contracting officer’s representatives also play a critical role in ensuring that contractors meet the commitment of their contracts. Given the importance of these key positions, it is essential for GAO to ensure that these individuals obtain the necessary training, experience, and education to acquire and maintain the required knowledge needed to competently commit and manage GAO’s resources.

Conclusions

GAO has generally established a framework of policy and procedures for managing its contracts and ensuring compliance with federal acquisition regulations and internal control standards. However, the deficiencies we found in guidance, monitoring, and documentation reflect a need for improvements in existing policy and procedures and oversight of the acquisition team. Improvements in these areas could help GAO reduce the risks that (1) acquisitions are not timely fulfilling the requestor’s needs at a reasonable cost, (2) GAO fails to timely identify and remediate poor contractor performance, and (3) adjustments for any over- or underpayments based on the final invoice, and deobligation of any excess of funds are not timely identified and processed.

Recommendations

To strengthen its contract management controls and reduce risks, we recommend the Comptroller General direct the Controller/Deputy Chief Financial Officer to take the following actions:

1. Revise or develop and implement GAO’s contract management guidance to address when and how the acquisition planning, source selection, and proposal price reviews should be performed and documented.

2. Develop, document, and implement a process to efficiently monitor compliance with key contract management documentation requirements, including documentation for technical reviews, contracting officer’s representative designation letters, and contractor performance evaluations.

3. Establish and monitor completion of a timeframe to eliminate the backlog of completed contracts pending closeout that exceed the applicable timeframes specified in the FAR.
4. Update procurement policy and procedures to establish timing requirements for completing contract closeouts.

5. Update acquisition management policy and procedures to (a) clarify roles and responsibilities for monitoring compliance with certification requirements and (b) address the process and approval of certification waivers.

**Agency Comments and Our Evaluation**

The Inspector General provided GAO with a draft of this report for review and comment. In its written comments, reprinted in appendix III, GAO agreed with our recommendations and has taken or initiated efforts to address them. Our report stated that GAO has established a contract management framework generally consistent with federal acquisition requirements. We also identified several areas where improvements in the design and implementation of key controls were needed to reduce the risk of poor contractor performance, cost overruns, purchases that are inconsistent with management objectives, and noncompliance with legal requirements. In its comments, GAO acknowledged that improved guidance, documentation, and oversight are needed to strengthen its internal controls and indicated that our audit findings were consistent with a limited internal review its management had performed on the documentation maintained in PRISM for its contract management activities.

In its written comments, GAO stated that most of the documents cited in our report as missing were maintained outside the official contract files and that the documentation was made available to OIG after the exit conference, i.e., after the completion of the audit. As stated in our report, we met with GAO’s Acquisition Management in February 2016, 4 months prior to the June 2016 exit meeting to which GAO referred. The purpose of the February meeting was twofold: to discuss the preliminary results of our audit; and to give GAO management the opportunity to provide documentation or other support for the performance of key controls which we could not locate in either PRISM or the hardcopy contract files provided to us by GAO during our audit. If additional documentation were available in DM, the contract files we reviewed provided no indication of their existence or location, nor did AM staff inform us of their existence. This lack of a complete record or pointer to the location of documentation to support a complete file may explain why management was unable to identify, access, or provide us the documentation in a timely manner during our audit and why similar issues affected its own internal review of contract management activities. Maintaining contract support documentation outside of the central contract file, without any reference to its existence, adversely affects the ability of management or an independent reviewer to efficiently and effectively assess whether GAO complied with federal laws and standards, and its own policy and procedures.

Regarding the backlog of completed contracts pending closeout, GAO indicated that it was unfamiliar with statistics we cited in our audit to describe the extent of that backlog. As stated in our report, the statistics were provided to the OIG by the AM Director and the program analyst assigned by GAO’s Chief Administrative Office to work with AM to identify and reduce GAO’s backlog. As we also reported, AM was focusing its resources on evaluating contracts to deobligate unused funds. While this is an important purpose of closeout, it is not the only objective of the closeout process. For example, the closeout process should also ensure that all contract requirements have been satisfied, that government property provided to the contractor is returned to the agency, and that
administrative matters, including adjusting for any over- or underpayments, are based on the final invoice.

We support GAO’s efforts to reduce its backlog, but encourage it to establish the timeframes and effective oversight and monitoring needed to ensure that all closeout procedures are properly and timely performed. In its comments, GAO stated that it intends to move only open contracts to the Legislative Branch Financial Management System. As such, we encourage GAO to ensure that closeout procedures are performed properly and timely for all completed contracts pending closeout that remain in PRISM following migration to the new system.
Appendix I: Objective, Scope, and Methodology

This audit is one of the first in a series of contract management reviews we plan to perform. It assesses the extent to which GAO has established an effective contract management control framework to guide its contract management process. We evaluated the design of GAO’s framework within the context of four contract phases: pre-award, award, administration, and closeout. To achieve our audit objective, we identified GAO contract management policy, procedures, and guidance and determined whether they were consistent with relevant federal requirements, guidance and standards, including the:

- Federal Acquisition Regulation (FAR),
- Treasury Financial Manual (TFM),
- Office of Management and Budget (OMB) guidance, and
- *Standards for Internal Control in the Federal Government*.3

In addition, we interviewed acquisition managers, staff, and others involved in contract management functions and activities (e.g., selected contracting officers, contract specialists, and contracting officer’s representatives) to learn about their roles and responsibilities.

Through this effort, we identified key contract management controls, such as development and approval of requisitions and evaluation of contractor performance, intended to ensure compliance with federal acquisition requirements. To select a sample for testing, we obtained a list of GAO contracts from the Portable Reusable Integrated Software Modules (PRISM)4 for which contract performance began, was completed, or was on-going in fiscal year 2015, and selected a nongeneralizable sample5 of 28 active GAO contracts with a total value of approximately $68 million.6 To ensure the reliability of GAO’s acquisition data in PRISM7 for the purposes of our engagement, we interviewed GAO’s Enterprise, Systems, and Integration Director about PRISM and the related controls, such as the system interface with GAO’s accounting system, DELPHI. We also reviewed the results of the latest Statement on Standards for Attestation Engagements (SSAE) No. 16

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148 C.F.R. § 1, et seq.


4The Portable Reusable Integrated Software System Modules (PRISM) is GAO’s procurement system and is used to create and administer interagency acquisitions, contracts, delivery orders, purchase orders, and blanket purchase agreements.

5Because the sample is a nongeneralizable sample, our results cannot be generalized to the population of GAO’s contracts.

6Some of the sampled contracts were multi-year contracts and a portion of the presented contract value may have been obligated and incurred prior to fiscal year 2015.

7The Department of Transportation’s Enterprise Service Center hosts and operates PRISM.
examination report on the service provider that hosts and operates PRISM to determine whether there were any reported deficiencies that may affect the reliability of the information in PRISM. In addition, as part of our review of sampled contracts, we tested the reliability of key data elements in PRISM, such as contractor name, contract number, and contract value, by comparing them to documentation maintained in the contract files, including copies of the contracts.

We selected and reviewed documentation maintained electronically or in centrally-maintained contract files for the 28 contracts sampled to assess compliance with key controls. In selecting specific contracts for review, we considered the following factors: (1) number of contracts within the various contract types, (2) dollar value of each contract, and (3) contracting officer’s representative assigned to the contract. Using these factors, we selected the 28 contracts across 6 contract types. Specifically, we selected all Firm-Fixed-Priced-level of effort contracts (2 contracts), and Labor-Hours contracts (1 contract). In addition, we selected 7 Delivery/Task Orders, and 6 contract actions for each of the remaining three contract types: Blanket Purchase Agreements (BPA), Firm-Fixed-Priced, and purchase orders. We excluded from our sample GAO’s interagency agreements. Because interagency agreements are related to contracts awarded and managed by other agencies, they are subject to different requirements than the contracts GAO awards and manages. We tested the following key controls when applicable to the selected contracts:

1. The Contracting Officer’s Representative designation letter – Contracting officers are required to issue a letter to the contracting officer’s representative that identifies the representative’s specific duties, authorities, responsibilities, and limitations.

2. Development of requisitions – The initiating employee and/or the unit approving official generally works with GAO’s budget office to develop a requisition that documents management approval to initiate the procurement process.

3. Budget verifications – The budget office determines whether the funds are available, then generates, approves, and releases funds in support of the requisition.

4. Acquisition plans – The requesting unit develops an acquisition plan for contracts with an expected value greater than the simplified acquisition threshold to document the overall strategy for managing the acquisition to fulfill GAO’s needs in a timely manner and at a reasonable cost.9

5. Source selection plans – The Acquisition Management office develops a source selection plan to obtain the best value source for fulfilling its needs. The plan documents GAO’s intention to organize and conduct the evaluation and analysis of proposals and to select a best value source.

6. Market research – The contracting officer and contracting officer’s representative perform market research to determine if the government’s needs can be met through commercial contracting and assess all sources available in the marketplace with an emphasis on small and minority-owned businesses.

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8United States Department of Transportation, Enterprise Services Center, Delphi, ESC PRISM, and CASTLE: Report on the Description of the ESC’s System and the Suitability of the Design and Operating Effectiveness of Controls (SSAE 16-Type 2 Report), (Sept. 30, 2014).

9See 48 C.F.R. § 2.1. At the time of our audit, the simplified acquisition threshold was $150,000.
7. **Publicizing of contract actions** – The contracting officer or the contract specialist publicizes contracting opportunities over $25,000 to solicit offers or quotes from potential sources.

8. **Complete statement of work** – The initiating employee develops a statement of work or a description of the goods, services, technical objectives, and requirements for each acquisition.

9. **Full and open competition** – GAO policy is to promote and provide for full and open competition in soliciting offers and awarding contracts.\(^\text{10}\)

10. **Justification for contracts awarded noncompetitively** – When requesting a noncompetitive procurement, the initiating unit is required to provide a written justification containing sufficient facts and rationale to justify the use of noncompetitive procurement procedures.

11. **Price review of contractors’ proposals** – The contract specialists review the contractors’ proposed prices/costs to ensure the amounts are appropriate and the costs are accurate, as well as fair and reasonable.

12. **Technical review of contractors’ proposal** – A technical evaluation panel evaluates the technical aspects of the contractors’ proposal.

13. **Procurement Integrity Act certification forms** – Every member of the technical evaluation panel is required to sign a Procurement Integrity Act certification form. This form helps GAO protect the procurement information and avoid conflict of interest issues.

14. **Contractor responsibility** – The contract specialist conducts an analysis to determine the contractor's financial capability and responsibility by obtaining a Dun & Bradstreet, Excluded Parties List System, Specially Designated Nationals and Blocked Persons List/Terrorist List, and System for Award Management reports.

15. **Support for selected contract type** – The contracting officer and contract specialist complete a Determination and Findings to document a rationale for using a contract type other than fixed-price. In addition, the FAR states that a firm-fixed-price contract is suitable for acquiring supplies or services when the contracting officer can establish fair and reasonable prices at the outset.\(^\text{11}\)

16. **Legal reviews** – The Procurement Counsel performs a legal review of GAO’s procurement actions.

17. **Recommendation for award** – The contract specialist prepares a recommendation for award document to summarize the procurement process and the reasons why the selected contractor was recommended for award.

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18. **Contract approval by the contracting officer** – The responsible contracting officer signs the award document to execute the contract. Only contracting officers can sign contracts on behalf of the government.

19. **Accurate FPDS reports** – According to acquisition managers, GAO reports the contract data maintained in PRISM to the Federal Procurement Data System (FPDS), which provides public access to all unclassified federal award data. The AM office started a practice of maintaining printouts of the FPDS reports in the contract files.

20. **Approved indirect rates** – The FAR requires agencies to establish billing rates and final indirect cost rates to reimburse indirect costs to contractors under cost-reimbursement contracts. Additionally, the material costs billed by contractors to the government under time and material contracts could include any applicable indirect costs.

21. **Contractor’s Performance Evaluations** – The contracting officer and/or the contracting officer’s representative prepares an evaluation of the contractor’s performance for contracts with a value greater than the simplified acquisition threshold.

22. **Reliability of PRISM** – GAO utilizes its procurement system, the Portable Reusable Integrated Software Modules (PRISM), for the creation and administration of contracts. Maintaining reliable information in PRISM helps GAO make informed decisions through the contract management process.

We shared the preliminary results of our contract documentation review with AM management to give GAO the opportunity to provide documentation supporting execution of key control activities that we had preliminarily concluded were not completed. After receiving additional documentation to support contract management control activities, we updated our analysis, as applicable. Our review focused on whether there was sufficient documentation to support that execution of a key control had occurred. We did not review, question, or otherwise assess contract performance or costs, or the basis of any documented GAO contract management conclusions or decisions as a part of this audit.

In addition, because GAO had a listing of 1,878 contracts pending closeout, we concluded that controls for ensuring that closeouts were performed in a timely manner as required by GAO policy and the FAR were not effective. As a result, we limited our work to identifying corrective actions under way to address the buildup of contracts pending closeout and identifying the number of contracts pending contract closeout, as reflected in PRISM.

While we include information provided by GAO regarding the number of contracts pending closeout in this report, we did not test the reliability or completeness of this data in PRISM and provide no assurances.

In addition, because training is an important factor in ensuring key staff possess the right skills and knowledge to fulfill their assigned roles and responsibilities, we determined whether the contracting officers and representatives assigned to the 28 contracts reviewed had obtained the required Federal Acquisition Certification in Contracting (FAC-C) or Federal Acquisition Certification for Contracting Representatives (FAC-COR) certifications.

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12 48 C.F.R. § 42.703-1(b).

as required by GAO policy. We conducted follow-up interviews, as appropriate, regarding exceptions identified during our review.

We conducted this performance audit from May 2015 through June 2016 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 objective.
Appendix II: Test Results of GAO’s Contract Management Documentation

The following table summarizes the extent to which contract documentation was maintained for the 28 GAO contracts sampled supporting compliance with key controls by contract phase.

<table>
<thead>
<tr>
<th>Key Controls</th>
<th>Documentation Supported Compliance with Key Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Preaward</strong></td>
<td></td>
</tr>
<tr>
<td>1. Contracting Officer’s Representative Designation Letter</td>
<td>15</td>
</tr>
<tr>
<td>2. Approved requisitions</td>
<td>28</td>
</tr>
<tr>
<td>3. Budget verifications</td>
<td>28</td>
</tr>
<tr>
<td>4. Acquisition plans</td>
<td>7</td>
</tr>
<tr>
<td>5. Source selection plans</td>
<td>3</td>
</tr>
<tr>
<td>6. Market research</td>
<td>17</td>
</tr>
<tr>
<td>7. Publicizing of contract actions</td>
<td>13</td>
</tr>
<tr>
<td>8. Complete Statement of Work</td>
<td>28</td>
</tr>
<tr>
<td>9. Full and open competition</td>
<td>13</td>
</tr>
<tr>
<td>10. Documented justification for contracts awarded through other than full and open competition</td>
<td>7</td>
</tr>
<tr>
<td>11. Price review of contractor’s proposals</td>
<td>14</td>
</tr>
<tr>
<td>12. Technical review of contractors’ proposals</td>
<td>9</td>
</tr>
<tr>
<td>13. Procurement Integrity Act certification forms</td>
<td>5</td>
</tr>
<tr>
<td>14. Contractor responsibility</td>
<td>19</td>
</tr>
<tr>
<td>15. Support for selected contract type</td>
<td>23</td>
</tr>
<tr>
<td>16. Legal reviews</td>
<td>27</td>
</tr>
<tr>
<td>17. Recommendation for award</td>
<td>13</td>
</tr>
<tr>
<td><strong>Award</strong></td>
<td></td>
</tr>
<tr>
<td>18. Contracts signed by the Contracting Officer</td>
<td>28</td>
</tr>
<tr>
<td>19. An accurate FPDS report</td>
<td>22</td>
</tr>
<tr>
<td><strong>Contract Administration</strong></td>
<td></td>
</tr>
<tr>
<td>20. Approved indirect rates</td>
<td>1</td>
</tr>
<tr>
<td>21. Contractor’s performance evaluation</td>
<td>7</td>
</tr>
<tr>
<td>22. Reliability of PRISM</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: OIG analysis of GAO’s supporting documentation of its contract management controls.

*aTwo of the nine exceptions we found regarding the reliability of the information in PRISM were due to differences in the total contract value recorded in PRISM and the award documentation. The remaining seven pertained to differences noted regarding the identification of assigned contracting officer’s representatives.
Memorandum

Date:       June 21, 2016
To:         Inspector General – Adam Trzeciak
From:       Controller – William Anderson
Subject:    Draft Report on GAO’s Contract Management (OIG-16-3)

Thank you for the opportunity to comment on your draft report on GAO’s contract management. The report appropriately recognizes that GAO has established a solid framework of policies and procedures for managing its contracts and ensuring compliance with internal control standards. GAO’s contract management framework is governed by GAO Order 0625.1, Government Accountability Office Procurement Guidelines, which states that: “It is GAO’s policy to follow the Federal Acquisition Regulation (FAR), consistent with these guidelines, although the mandatory application of the FAR to GAO should not be inferred.” In addition, GAO’s Office of Acquisition Management has implemented Standard Operating Procedures (SOPs) and best practices to ensure that appropriate internal controls are in place and operating effectively and efficiently. While I am pleased that no significant issues were identified, your review did note several administrative deficiencies where improved guidance, documentation, and oversight could strengthen controls and reduce risk. These findings were consistent with the results of our internal reviews, which we are in the process of addressing.

For the past several years, the Office of Procurement has been updating its operations to move to a paperless contract filing environment. However, the systems currently utilized by our shared service provider¹ do not fully support a paperless process. In your report, you state that several documents were not available for review in the paper file. However, most of the documents cited as missing from the paper files were in DM, GAO’s official electronic document management system, and were made available to the OIG after the exit conference. For example, in one instance, the OIG reviewed the Contracting Officer’s (CO) source selection decision document and concluded that the technical evaluation was performed by the CO rather than a panel. To clarify, a panel did conduct an evaluation for this award and the panel’s evaluation was stored in DM. Unfortunately, the CO for this award was no longer at GAO during the review.

¹ GAO currently utilizes the PRISM acquisition system and Delphi financial management system operated by DOT’s Enterprise Service Center.
To address this issue, we have an effort underway to move to the Legislative Branch Financial Management System (LBFMS), which has an integrated procurement and financial management system capable of supporting a paperless contracting process. However, until we have completed the move to the LBFMS, Acquisition Management will update its SOPs to reflect which files must be in PRISM, DM, or the hard copy file and ensure that staff are trained on the requirement. In addition, we will reorganize the contract file room to improve the storage and maintenance of those documents that remain in hardcopy. The file room reconfiguration will be completed by the end of August 2016.

The report also noted instances where the guidance provided to customers on Acquisition Management’s intranet was not always consistent with its SOPs; commented on the status of contract close outs; and cited several statistics that the operational unit and management are not familiar with. With regards to these findings, it is important to note that GAO’s current acquisition management and financial management systems (PRISM and Delphi) are not fully integrated. As a result, it can be difficult to determine contract status through these systems and makes the management of routine operations challenging. We have a project underway to reconcile PRISM and Delphi data to ensure that only open contracts are migrated to the LBFMS. However, based on my weekly review, as of June 17, 2016, there is less than $3.8 million in open obligations for FY 2012, FY 2013, and FY 2014 that require resolution, much of which is related to interagency agreements with federal agencies and other ongoing contracts.

To address these issues, the Acting Director of Procurement Operations is revising Acquisition Management’s SOPs to clarify requirements and has begun a review of the web guidance to ensure that it is consistent with the revised SOPs. In addition, in fiscal year 2016, a new organizational structure was implemented to focus on business services aligned to meet our partners’ and stakeholders’ requirements. Acquisition Management was separated into two divisions: Procurement Operations (AMPO) and Procurement Policy & Oversight Division (PPOD) to better leverage functions and the effective management of resources. PPOD will be responsible for performing post-award reviews of contract documentation, closeouts, and COR certification requirements, including sampling PRISM, DM, and hard copy files to ensure completeness.

cc: Karl Maschino, Chief Administrative Officer/Chief Financial Officer
    Paul Johnson, Deputy CAO
    Roderick Gaither, Acting Director, AMPO
    Carmencita Jones, Director, PPOD
    Guy Pietrovito, OGC
    Jacqueline Johnson, PPOD
    Ronald Fink, PPOD
    Adebisi Akinlade, FMBO
    Evelyn Logue, OIG
    Omar Torres, OIG
Appendix IV: Major Contributors to This Report

Omar Torres was a key contributor to this report. Legal assistance was provided by Cynthia Hogue.
Appendix V: Report Distribution

U.S. Government Accountability Office

Gene Dodaro – Comptroller General
Patricia Dalton – Chief Operating Officer
Karl Maschino – Chief Administrative Officer/Chief Financial Officer
Susan Poling – General Counsel
William Anderson – Controller/Deputy Chief Financial Officer
Adrienne Walker – Director, Program Analysis and Operations
Adebiyi Adesina – Special Assistant to the Controller
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