



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

Audit of FAS's Contractor Assessments Program

Report Number A150131/Q/T/P16004
September 21, 2016



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

REPORT ABSTRACT

OBJECTIVES

Our objectives were to determine if FAS's Supplier Management Division's:

- (1) Contractor Assessments are effective to determine contractors' compliance with Multiple Award Schedule contract terms and conditions;
- (2) Industrial Operations Analysts are conducting their assessments in accordance with FAS guidance;
- (3) Industrial Operations Analysts are communicating those results timely and in the appropriate format; and
- (4) Industrial Operations Analysts are completing training in accordance with program requirements.

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Audit of FAS's Contractor Assessments Program

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WHAT WE FOUND

Our audit of the Contractor Assessments program found that the assessments add value as a method to monitor compliance with terms and conditions of Multiple Award Schedule contracts. However, we determined that there are areas in which the program can improve in order to enhance the consistency, completeness, and value obtained from the assessments and reports.

We identified the following during our audit:

Finding 1 – FAS guidance does not provide specific requirements for sampling sales transactions and resumes creating inconsistencies in the assessments.

Finding 2 – Industrial Operations Analysts are not consistently reporting on labor qualifications; therefore, FAS does not have assurance that qualifications were assessed.

Finding 3 - Lack of a formalized training curriculum or training requirements for experienced Industrial Operations Analysts may lead to inconsistent knowledge and skills.

WHAT WE RECOMMEND

Based on our audit findings, we recommend the Commissioner of FAS:

1. Revise the Industrial Operations Analyst Training Manual to include details on a risk-based sampling methodology in order to improve the consistency of report results.
2. Revise the assessment report template to include a specific section for reviewing labor qualifications to ensure consistent review. Determine whether changes to the template require any appropriate revisions to the guidance as a result.
3. Establish and implement a formal, national training curriculum for experienced Industrial Operations Analysts to cover, at a minimum, the number of required annual continuing education hours and appropriate subject areas for enhancing applicable knowledge and skills.

GSA COMMENTS

The Commissioner of FAS concurred with the audit report findings and recommendations. GSA's written comments to the draft report are included in their entirety as **Appendix B**.

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Introduction

We performed an audit of FAS's Contractor Assessments program. This audit assessed the program's effectiveness, assessments, reports, and the training requirements for the Industrial Operations Analysts (IOAs) who are responsible for executing FAS's Contractor Assessments program.

Purpose

We performed this audit as a result of recent, significant changes to the Contractor Assessments program. In 2015, FAS's Supplier Management Division implemented a new methodology to conduct more frequent assessments of contractors with higher sales. At this time, the assessment reports were also changed to reflect the new method for conducting assessments.

Objectives

Our objectives were to determine if FAS's Supplier Management Division's: (1) Contractor Assessments are effective to determine contractors' compliance with Multiple Award Schedule (MAS) contract terms and conditions, (2) IOAs are conducting their assessments in accordance with FAS guidance, (3) IOAs are communicating those results timely and in the appropriate format, and (4) IOAs are developing and completing training in accordance with program requirements.

Background

The Contractor Assessments program is managed by FAS's Office of Acquisition Management, Supplier Management Division. The Office of Acquisition Management's stated mission is to ensure contract integrity, promote quality and integrity throughout the acquisition life cycle, facilitate a consistently positive customer experience, and ensure that acquisition operating practices are consistent. The Office of Acquisition Management is responsible for establishing a framework for managing the acquisition workforce in accordance with policy established by the GSA Chief Acquisition Officer. It also leads and supports the review of FAS programs and procedures and is responsible for FAS's regulatory compliance.

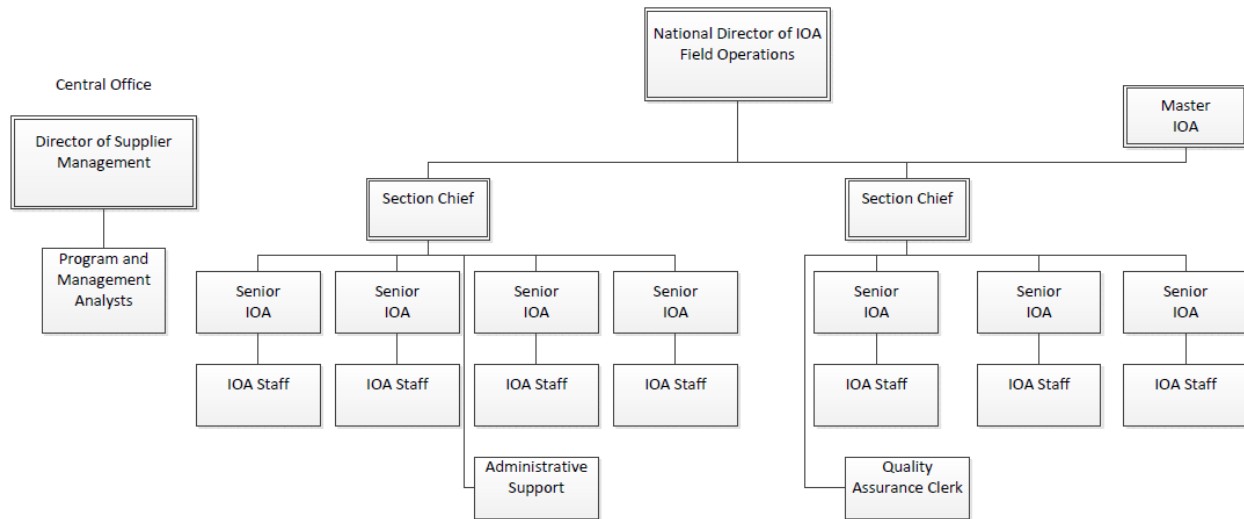
The Supplier Management Division (Supplier Management) is one of six divisions within the Office of Acquisition Management. Supplier Management performs risk management functions across FAS acquisition programs with the intent to promote consistency and maximize value for customer agencies and contractors. Supplier Management's risk management strategy includes ensuring that contractors understand GSA's expectations for contract performance, monitoring contractor performance, and evaluating compliance with contractual requirements.

Supplier Management is managed out of FAS's Central Office in Washington, D.C., with geographically dispersed Operations Centers. These Operations Centers are staffed by

IOAs and administrative contracting officers who work directly with contractors and procurement contracting officers, monitoring and evaluating performance and ensuring contractual compliance.

The Contractor Assessments program, led by a National Director of IOA Field Operations, is divided into two sections, each with a Section Chief, as shown in *Figure 1*. As of June 12, 2015, there were 64 IOAs across the continental United States.

Figure 1 - Contractor Assessments Program Organizational Chart



According to Supplier Management’s IOA Training Manual, IOAs have three primary responsibilities. The first is to assess contractors’ compliance with contractual requirements by conducting assessments, documenting their findings in reports, and educating contractors on contract requirements and GSA expectations. The second is to conduct and document those assessments in accordance with established guidance, and identify and report guidance gaps and inconsistencies to Operations Center management. The third is to communicate clearly and appropriately with contractors, administrative contracting officers, procurement contracting officers, and Operations Center management.

To fulfill these responsibilities, IOAs are provided with a standardized training program. The intent of this program is to build a foundation, during their first few years on the job, of necessary skills and technical competencies to perform the duties of an experienced IOA (also known as a journeyman IOA). This program consists of formal education in topics such as basic auditing and basic contracting, and practical field exercises, such as job shadowing. Upon completion of the training, an IOA is expected to pass an assessment test demonstrating their knowledge.

IOAs plan, conduct, and document contractor assessments with the purpose of assessing a contractor’s performance. An assessment is a process review conducted

as an interview and procedural evaluation. They are performed either at the contractor’s site or virtually from the IOA’s site. An assessment is to be conducted as outlined by the guidance and procedures in the IOA Training Manual and a supplemental set of instructions in the Supplier Management Desk Guide. During these assessments, an IOA reviews contract documentation, such as: (1) the Commercial Sales Practices disclosure, which states a contractor’s commercial pricing and discounting practices; (2) the terms and conditions of the contract; (3) contract modifications, which show changes to the contract after award; (4) pricelists; and (5) sales records.

There are three different types of assessments – annual, end-of-term, and on-demand. Details on each of these types are included in *Table 1* below.

Table 1 - Contractor Assessment Types

Assessment Type	Criteria	Timing and Scope
Annual	All contracts with greater than \$150,000 in reported sales over a 4-quarter period, determined by a contract's anniversary date	<ul style="list-style-type: none"> • Occur within 9 months of a contract’s anniversary date • Focuses exclusively on recovery topics (e.g., sales tracking and pricing)
End-of-Term	All contracts except those not eligible for assessment ¹	<ul style="list-style-type: none"> • Occur between the 36th and 45th month of each 5-year contract period • Covers a range of compliance and recovery topics
On-Demand	As requested	Scope of assessment determined as requested

At an assessment’s conclusion, the IOA provides the contracting officer and contractor with feedback on the assessment, including any issues that may affect contract compliance and any deficiencies that should be corrected. While an IOA may evaluate and report a contractor’s planned corrective action(s) in response to the findings identified in an assessment, only a contracting officer has the authority to direct that action. Reports are documented within FAS’s OnLine Contract Management System database and are made available to both the contracting officer and the contractor. In fiscal year 2014, IOAs issued 4,098 assessment reports.

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

¹ Assessments are not performed for contracts that have either zero sales during the period of performance or fail to meet the minimum sales requirement by year 4 (i.e., less than \$50,000 total sales after the first 3 years of a 5-year contract term).

Results

Our audit of the Contractor Assessments program found that the assessments add value as a method to monitor contractor compliance with terms and conditions of MAS contracts. IOAs are generally conducting assessments in accordance with guidance and are effectively communicating those results timely and in the required format.

Although the assessments are generally effective, we identified areas the program can improve upon to enhance the consistency, completeness, and value of its assessments and reports. Specifically, we found inconsistencies in the methodology IOAs used when sampling sales transactions and/or resumes for testing. We were also unable to determine the extent to which IOAs assessed labor qualifications. Finally, we determined that no formalized, national training curriculum exists for experienced IOAs.

Finding 1 – FAS guidance does not provide specific requirements for sampling sales transactions and resumes creating inconsistencies in the assessments.

Although IOAs are generally conducting assessments in accordance with internal guidance, we found that assessments varied in consistency, both in scope and thoroughness. Assessment reports provided varying degrees of detail regarding basic contract identification information, the source and methodology of samples, and how certain portions of the assessments were conducted. For example, although reports include a portion to assess whether task orders are within the scope of the contract, our audit found inconsistencies in how IOAs reported on these assessments. Specifically, some reports provided descriptions of the number of task order invoices sampled, along with invoice specifics – invoice number, customer, dollar amount, and date of order – regardless of whether there were findings. However, other reports simply stated that there were “no issues/concerns” and provided no information on the number of invoices or the dollar value assessed.

These types of inconsistencies were due to a lack of specific guidance in some areas of the assessments. This lack of detailed guidance potentially leads to over reliance on the IOA's professional judgement. IOA procedures and guidance are outlined in both the IOA Training Manual and the Desk Guide. However, we noted that both the 2010 IOA Training Manual – the manual in effect at the time of our audit testing – and the Desk Guide lacked detailed guidance on how to test for various compliance issues during assessments.

The IOA Training Manual lacks written standards providing guidance on the number or percentage of transactions or invoices to review when evaluating sales, or the number or percentage of resumes to sample when reviewing labor qualifications. The “Sales Tracking Evaluation Techniques” section of the manual states:

Sample and examine enough transactions to verify the accuracy of the reported quarterly MAS sales totals. Make sure the transactions you examine have been captured in the contractor's MAS sales reports. Also,

select a sample of sales to eligible users outside the MAS contract to verify that they are not MAS contract sales.

During our audit, Supplier Management updated the IOA Training Manual. The revised version provides instructions on developing samples but it could be revised further to provide additional details regarding the expectations for sample sizes. By providing additional guidance on developing sample sizes, FAS could enhance the consistency of work produced by IOAs and help to ensure that all contractors are being similarly assessed.

Although contracts vary greatly and there may not be a universal number or percentage that can be used for all assessments, the IOA Training Manual should, to the maximum extent possible, include details that ensure testing is based on consistent risk-based criteria. Doing so will lead to more consistent assessments and reports upon which management can place greater reliance.

Finding 2 – Industrial Operations Analysts are not consistently reporting on labor qualifications; therefore, FAS does not have assurance that qualifications were assessed.

In some cases, FAS does not have assurance that IOAs reviewed contractor employee labor qualifications because the reports do not comment on it. The Desk Guide contains guidance on how to perform a labor qualifications review. It instructs IOAs to enter related findings in the “Additional Observations” section of the assessment report. However, the guide does not specify what reporting actions are necessary when there are no findings. As such, under the current reporting, there is no assurance that the IOA assessed labor qualifications unless it is discussed in the report.

Within our sample of 20 assessment reports, 12 concerned contracts for professional services.² For these contracts, the IOA was required to review a sample of resumes to ensure they were consistent with what was required in the contract. Of the 12 reports, we found:

- Two of the reports had labor qualification findings that were reported in accordance with Desk Guide procedures.
- One report noted a labor qualification finding but did not report it as prescribed in the Desk Guide.
- Nine reports did not mention reviewing labor qualifications.

For the nine reports that did not mention reviewing labor qualifications, we were unable to determine whether the IOAs had reviewed the labor qualifications of personnel performing under the subject contracts. Since the reports do not comment on the qualification reviews and IOAs are not required to maintain documentation on their reviews, FAS has no assurance that the reviews were performed.

² See **Appendix A** – Scope and Methodology for additional details.

As previously noted in our *Major Issues from Multiple Award Schedule Preaward Audits* memoranda, unqualified labor is a commonly identified issue in our MAS preaward audits.³ The use of unqualified labor indicates that GSA customer agencies were overcharged for professional services or did not receive the level of services paid for. In our memorandum on Major Issues from MAS Preaward Audits, we noted that for the service contracts audited in fiscal year 2013, 50 percent of the contractors audited charged customer agencies for labor that did not meet the contracts' minimum qualifications. The Commissioner of FAS has communicated his concern about this recurring audit finding. He has stated that the contractor assessments are used as a primary means for preventing unqualified labor or labor substitution on GSA contracts.

Some IOAs may use the report template as a guide for conducting their assessments. The report template does not have a specific labor qualifications section, which could lead to IOAs not conducting labor qualification reviews at all. As stated above, this is an area in which we have had repeated findings. This, combined with FAS management's reliance upon the IOA's assessments to prevent such activity, demonstrates the need for FAS to place greater emphasis on this area in the assessment report.

Finding 3 – Lack of a formalized training curriculum or training requirements for experienced Industrial Operations Analysts may lead to inconsistent knowledge and skills.

As previously stated, we identified inconsistencies in the assessments, both in scope and thoroughness. One facet that may contribute to these inconsistencies is variances in knowledge and skills between IOAs. Supplier Management does not currently have a national training curriculum or specific training requirements for experienced IOAs, which could lead to these variances.

Supplier Management has identified training classes for the first 3 years of an IOA's career, but does not have a similar plan in place for experienced IOAs. As stated in *U.S. Government Accountability Office – Key Issues: Federal Training Investments*, it is essential that agencies identify the appropriate level of investment and establish priorities for employee training and development. In our meetings with IOAs, many expressed the value and importance of training. Moreover, several mentioned that they want additional training, particularly when guidance is updated. They stated that the loss of routine training sessions and in-person meetings with peers has curtailed networking and knowledge sharing opportunities.

In an effort to ensure that all IOAs are being educated on similar topics and to the same extent, Supplier Management should develop standard education requirements for continuing, professional development. These requirements could possibly emphasize contracting and data analysis. Greater consistency between assessment reports could

³ Memorandum Number A110023-1, September 26, 2011; Memorandum Number A120050-3, March 8, 2013; and Memorandum Number A120050-5, March 13, 2015.

be achieved by standardizing continuing education requirements, for both topics and hours.

Conclusion

Our audit of the Contractor Assessments program demonstrated that the assessments add value as a method to monitor contractor compliance with terms and conditions of MAS contracts. We found that IOAs are generally conducting assessments in accordance with guidance, and are effectively communicating these results timely and in the appropriate format.

However, we have identified areas the program can improve upon to enhance the consistency, completeness, and value of the assessments and reports. We found inconsistencies in the methodology IOAs used when sampling sales transactions and/or resumes for testing. We were also unable to determine the extent to which IOAs assessed labor qualifications. Finally, we determined that no formalized, national training curriculum exists for experienced IOAs.

Recommendations

Based on our audit findings, we recommend that the Commissioner of FAS:

1. Revise the Industrial Operations Analyst Training Manual to include details on a risk-based sampling methodology in order to improve the consistency of report results.
2. Revise the assessment report template to include a specific section for reviewing labor qualifications to ensure consistent review. Determine whether changes to the template require any appropriate revisions to the guidance as a result.
3. Establish and implement a formal, national training curriculum for experienced Industrial Operations Analysts to cover, at a minimum, the number of required annual continuing education hours, and the appropriate subject areas for enhancing applicable knowledge and skills.

GSA Comments

The Commissioner of FAS concurred with the audit report findings and recommendations. GSA's written comments to the draft report are included in their entirety as **Appendix B**.

Audit Team

This audit was conducted by the individuals listed below:

Michelle Westrup	Audit Manager
Rich Gallagher	Auditor-In-Charge
John Brandon	Auditor

On their behalf, we thank you and your staff for your assistance during this audit.

Appendix A – Scope and Methodology

Scope and Methodology

This audit focused on FAS's Supplier Management Division, Contractor Assessments program. The audit scope was limited to assessment reports issued between January 1, 2014, and May 31, 2015. In addition, we interviewed a sample of IOAs that were onboard as of June 12, 2015.

To accomplish our objectives, we:

- Reviewed FAS policy and guidance pertaining to contractor assessments and compliance with various contract terms and conditions;
- Reviewed Supplier Management's mission, strategy, and internal processes as they relate to the Contractor Assessments program;
- Reviewed Supplier Management's internal program and staffing guidance, including the IOA Training Manual (2010 and 2015 versions), Desk Guide, upcoming assessment plans, and position descriptions;
- Reviewed prior, relevant GSA Office of Inspector General audit reports and memoranda;
- Observed an IOA conduct a contractor assessment;
- Obtained the universe of all assessment reports completed between January 1, 2014, and May 31, 2015.
 - Chose a selective sample of 20 assessment reports from the universe of all assessment reports completed between January 1, 2014, and May 31, 2015. Analyzed the results of the assessment reports;
- Developed a selective sample of IOAs (*i.e.*, every 5th IOA) for testing based on a list of active IOAs as of June 12, 2015.
 - Chose a selective sample of assessments (*i.e.*, the first assessment) completed by each sampled IOA. Compared the sampled assessment reports against elements included in the IOA Desk Guide;
- Obtained the universe of all GSA Office of Inspector General MAS preaward audit reports issued between January 1, 2014, and May 31, 2015.
 - Chose a selective sample of ten preaward audit reports based upon the number of days lapsed since an assessment report was issued on the contract.
 - Compared the results of the ten preaward audit reports to the results of the assessment reports to determine variance;
- Conducted interviews with Supplier Management officials regarding general policies, processes, and procedures;
- Obtained a universe of all IOAs onboard as of June 12, 2015, and developed a selective sample for interview.
 - The sample consisted of 14 IOAs. We did not interview four sampled IOAs due to scheduling conflicts. The remaining ten sampled IOAs represented 15 percent of the total number of IOAs at the time.

- Interviewed the sample of IOAs regarding their position as an IOA, including their role and professional duties, how they conduct assessments, and challenges they face; and
- Obtained a listing of training courses completed by IOAs during fiscal years 2014 and 2015.
 - Compared completed training courses to the IOA Training Plan provided by Supplier Management.

We conducted the audit between May 2015 and January 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 objectives.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objectives of the audit. Identified internal control issues are discussed in the Results section of this report.

Appendix B – GSA Comments



GSA Federal Acquisition Service

MEMORANDUM FOR BRIAN J. GIBSON
 ASSOCIATE DEPUTY ASSISTANT INSPECTOR GENERAL FOR
 AUDITING ACQUISITION AND INFORMATION TECHNOLOGY
 AUDIT OFFICE (JA-T)

FROM: THOMAS A. SHARPE, JR. *TS* 8/31/2016
 COMMISSIONER
 FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: MANAGEMENT COMMENTS TO DRAFT AUDIT REPORT
 A150131 - AUDIT OF FAS's CONTRACTOR ASSESSMENTS
 PROGRAM

Thank you for the opportunity to respond to the findings identified in the Office of Inspector General (OIG) draft Audit Report Number A15013, Audit of FAS's Contractor Assessments Program, dated June 23, 2016, in which were identified areas that the Federal Acquisition Service's Contractor Assessment program can improve in order to enhance the consistency, completeness, and value obtained from the assessments and reports.

Please be advised the FAS Office of Acquisition Management and the Office of Supplier Management have reviewed the subject draft report. We accept the OIG finding that the Contractor Assessments program adds value as a method to monitor compliance with terms and conditions of Multiple Award Schedule contracts. We concur with the OIG determination that there are three (3) areas identified in which the program can improve in order to enhance the consistency, completeness, and value obtained from the assessments and reports. Based upon the IG's recommendations, FAS is currently in the process of developing content to address the findings (reference management response) and look forward to submitting the formal action plan in response to the final audit report.

Should you have any questions, please contact Judith R. Zawatsky,
judith.zawatsky@gsa.gov, at (703) 605-2593.

cc: Wayne Williams (H1ABA)
 Claudia Davis (H1ABA)

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Management Response to Audit Report A150131

Federal Acquisition Service's Contractor Assessment program improvements to enhance the consistency, completeness, and value obtained from the assessments and reports.

For your consideration below please find FAS's response to each of the draft audit findings and recommendations.

Finding 1 – FAS guidance does not provide specific requirements for sampling sales transactions and resumes creating inconsistencies in the assessments.

Recommendation: Revise the Industrial Operations Analyst Training Manual to include details on a risk-based sampling methodology in order to improve the consistency of report results.

Response – Concur. FAS will develop defined, consistent, risk based sampling criteria to help ensure that the Contractor Assessment reports provide greater confidence in sales reporting and resumes of personnel performing under the contracts, as well as overall compliance as reviewed by the IOAs. The IOA Manual will be updated to reflect the revised criteria and processes.

Finding 2 – Industrial Operations Analysts are not consistently reporting on labor qualifications; therefore, FAS does not have assurance that qualifications were assessed.

Recommendation: Revise the assessment report template to include a specific section for reviewing labor qualifications to ensure consistent review. Determine whether changes to the template require any appropriate revisions to the guidance as a result.

Response - Concur and changes were implemented by FAS Supplier Management Division as of June 2015.

Prior to June 18, 2014, IOAs were not tasked to review labor qualifications on Contract Assistance Visit (CAV). From June 18, 2014 until June 14, 2015, IOAs were directed to review labor qualifications as part of all CAVs where labor hours were included on the contracts. Findings during this time period were included in the "Additional Observations" section of each CAV report. Beginning June 15, 2015, CAVs were renamed Assessments and a new frequency of contract review established, requiring that labor qualifications be reviewed for end of term Assessments. Labor qualifications is now a separate report question to be validated during Contractor Assessments and standardized documentation guidance has been updated in the IOA Manual to properly document IOA findings in this area.

Finding 3 - Lack of a formalized training curriculum or training requirements for experienced Industrial Operations Analysts may lead to inconsistent knowledge and skills.

Recommendation: Establish and implement a formal, national training curriculum for experienced Industrial Operations Analysts to cover, at a minimum, the number of required annual continuing education hours and appropriate subject areas for enhancing applicable knowledge and skills.

Response – Concur. Currently, Supplier Management utilizes the personalized employee / supervisor IDP approach to identify training needs to ensure the competencies needed to perform IOA duties are developed and maintained on an individual basis. Over the past several years we have promoted training covering core IOA development which includes contracting as part of the acquisition workforce. Supplier Management also develops and delivers on a periodic basis, team, branch and national training covering introduction of new topics, as well as routinely reviewing procedures and guidance topics. We have also used IOA and supervisory teams to review and update established procedures to improve consistency of IOA operations. These efforts have improved the assessment process considerably over the time period of the OIG audit. With all the above actions in regular practice within Supplier Management, we recognize and see the value in developing standard education requirements to promote continuing professional development for our experienced IOA staff. We agree that standardizing curriculum, including the areas of Contracting and Data Analysis, as well as establishing annual continuing education requirements could further improve consistency of assessment performance and documentation of compliance findings in formal reports.

FAS will identify a formalized training curriculum to maintain and enhance experienced journey level IOA competencies, as well as CLPs necessary to maintain certification levels.

Appendix C – Report Distribution

GSA Administrator (A)

Commissioner (Q)

Deputy Commissioner (Q1)

Chief of Staff (Q)

Assistant Commissioner, Office of Acquisition Management (QV)

Program Management Officer (QV0E)

Financial Management Officer, FAS Financial Services Division (BGF)

Director, Supplier Management Division (QV0C)

Chief Administrative Services Officer (H)

GAO/IG Audit Management Division (H1G)

Assistant Inspector General for Auditing (JA)

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