




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

June 29, 2018

TO: ALAN B. THOMAS, JR.
FEDERAL ACQUISITION SERVICE COMMISSIONER (Q)

FROM: 
SONYA D. PANZO
ASSOCIATE DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITING
ACQUISITION AND INFORMATION TECHNOLOGY AUDIT OFFICE (JA-T)

SUBJECT: FAS Did Not Ensure That Contract Employees Had Background
Investigations Before Providing Support to Agencies Transitioning to
Enterprise Infrastructure Solutions
Interim Memorandum Number A170103-4

The purpose of this memorandum is to notify you of a security concern we identified during our ongoing audit of the Federal Acquisition Service's (FAS's) administration of the Transition Ordering Assistance (TOA) task order. This is the second interim memorandum we have issued during this audit.¹ We found that FAS has not ensured that contract employees receive favorable background investigation determinations before providing them with access to sensitive government information, systems, and facilities. As a result, FAS has spent more than \$675,000 for work performed by contract employees who had not received the required determinations, thereby placing FAS and its customer agencies at risk. Accordingly, FAS should enhance management controls to ensure that the Office of Information Technology Category adheres to the background investigation provisions of the TOA task order.

Background Investigation Requirements

The General Services Administration's (GSA's) Enterprise Infrastructure Solutions (EIS) is a government-wide contract managed by FAS to provide federal agencies with mission-critical telecommunications and information technology infrastructure services. FAS's Office of Telecommunications Services awarded the TOA task order in September 2016 to support federal agencies as they transition to EIS from expiring Networkx contracts. Under the TOA task

¹ In January 2018, we reported that FAS provided customer agencies with almost \$9 million in support services without required interagency agreements. *FAS Is Providing Support Services to Agencies Transitioning to Enterprise Infrastructure Solutions without Executed Interagency Agreements* (Audit Memorandum Number A170103-3, January 12, 2018).

order, the contractor is responsible for providing consulting services to assist transitioning agencies in procurement decisions and EIS ordering.

To begin work under the TOA task order, contract employees are required to undergo a background investigation. The task order includes a provision that governs contractor access to government-owned information and systems. This provision states:

The Contractor will require access to Government sensitive information and/or access to Government information systems. All contractor personnel must complete, at a minimum, a National Agency Check with Written Inquiries (NACI) in accordance with Homeland Security Presidential Directive-12 (HSPD-12), Office of Management and Budget (OMB) guidance M-05-24, M-11-11 and as specified in GSA CIO Order 2100.1J and GSA Directive 9732.1D (Suitability and Personnel Security) for background investigations to provide services under this contract. The [contracting officer's representative] will identify all individuals who require system accounts and verify that they have successfully completed the required background investigations prior to providing them access to Government sensitive information or information systems and/or facilities.

Contract employee data is sent to the Office of Personnel Management (OPM) so that OPM can conduct a background investigation. During the background investigation process, OPM issues an interim determination. If that determination is favorable, contract employees are allowed to begin providing contract support and are given access to federal information, systems, and facilities. Contract employees may continue working on the task order as long as OPM issues a favorable final determination. The FAS contracting officer's representative (COR) is responsible for verifying that all contract employees have a favorable interim determination before providing access to sensitive information, systems, and facilities. Additionally, the COR is responsible for reviewing invoices and approving them for payment.

Government information, systems, and facilities were at risk due to non-compliance with TOA task order provisions.

FAS assumed unnecessary risk when the COR gave TOA contract employees, who had not received a favorable interim determination, access to government information, systems, and facilities. FAS spent more than \$675,000 for employees who had not satisfied the background investigation provisions of the task order.

When we asked about onboarding and offboarding of contract employees, the FAS contracting officer told us of a security incident involving one contract employee. Over the course of several months, a FAS employee questioned why a contract employee did not have a GSA badge or use a GSA email address. In response, the contract employee provided excuses such as lost paperwork and miscommunication between the TOA contractor and GSA. Ultimately, the contract employee admitted to intentionally withholding the background investigation paperwork for personal reasons. The FAS employee then alerted contracting officials. We

determined that, for a period of six months, the COR had approved invoices with approximately \$131,576 in charges for this contract employee despite the employee's lack of a background investigation.

In response to this incident, the TOA contractor terminated the contract employee. Although the contract employee had access to government information, the contracting officer ensured that the customer agency had not issued the contract employee government accounts or equipment. The TOA contractor provided written assurance to the contracting officer that all other employees working on the task order had received favorable interim determinations. In addition, a division within the FAS Office of Telecommunication Services provided training to contracting officers and CORs on security procedures for new contract employees. Upon completion of the training on December 12, 2017, and the TOA contractor's assurance that all contract employees had received favorable interim determinations, FAS took no further action.

To determine whether all TOA contract employees had in fact received favorable interim determinations, we reviewed background investigation documents maintained by FAS for contract employees whose services had been billed under the TOA task order from April 2017 to January 2018. We identified additional compliance issues, including a current contract employee without a favorable interim determination for whom the TOA contractor had billed approximately \$143,053. On March 8, 2018, we alerted the contracting officer and COR of this issue and the TOA contractor removed the contract employee from the task order. The TOA contractor had identified this employee in December 2017 through its response to the prior incident and acknowledged at that time that this employee should be removed from the TOA task order. However, we found that the contract employee continued working on the task order for three months and that the TOA contractor continued to bill for these services. Invoice reviews performed by the COR did not detect this issue until our notification.²

Further, we identified 14 additional contract employees for whom the TOA contractor had collectively billed approximately \$401,000 under the task order, prior to the employees' receipt of favorable interim determinations. Based on our analysis, we are concerned that FAS is relying solely on the TOA contractor to ensure compliance instead of independently verifying that contract employees have received favorable interim determinations.

Conclusion

FAS is not providing sufficient management oversight to ensure that contract employees assigned to the TOA task order receive the required background investigation determinations. As a result, FAS spent more than \$675,000 for work performed by contract employees who did not satisfy the background investigation provisions of the task order. Accordingly, FAS should enhance management controls to ensure that the Office of Information Technology Category

² After our notification, the COR rejected the last invoice for payment. The TOA contractor submitted a revised invoice that removed the contract employee's charges for that month, which totaled approximately \$18,956. Ultimately, FAS recovered an additional \$32,549 of charges for this contract employee.

adheres to the background investigation provisions of the TOA task order to protect FAS and its customer agencies from unnecessary risk.

GSA Comments

The FAS Commissioner generally agreed with our conclusions. However, there was disagreement with the conclusion, "Upon completion of the training and the TOA contractor's assurance that all contract employees had received favorable interim determinations, FAS took no further action." In its response, FAS listed additional actions taken since the provided training on December 12, 2017. Management's comments are included in their entirety as an attachment.

Auditor Response to GSA Comments

We appreciate FAS's response to our draft interim memo and considered the response when preparing the final interim memo. We note that five of the seven actions FAS listed in its comments took place after we brought a second instance of non-compliance to FAS's attention on March 8, 2018.³ While we adjusted the memorandum based on the information provided by FAS, we reaffirm our conclusions.

This audit is managed out of the Acquisition and Information Technology Audit Office and is being conducted by the individuals listed below:

| | |
|----------------------|---|
| Sonya D. Panzo | Associate Deputy Assistant Inspector General for Auditing |
| Susan E. Myers | Audit Manager |
| Richard M. Gallagher | Auditor-In-Charge |
| Felicia M. Silver | Management Analyst |
| Michael A. Guhin | Management Analyst |
| Saul J. Guerrero | Auditor |

Attachment: FAS Commissioner's Response to Draft Interim Memorandum Number A170103-4

³ Although undated in the FAS Commissioner's response, the new COR was assigned on March 29, 2018.

Memorandum Distribution

GSA Administrator (A)

Commissioner (Q)

Deputy Commissioner (Q1)

Chief of Staff (Q0A)

Assistant Commissioner, Office of Information Technology Category (QT)

Assistant Commissioner, Office of Policy and Compliance (QV)

Financial Management Officer, FAS Financial Services Division (BGF)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)


Assistant Inspector General for Auditing (JA)

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



June 8, 2018

MEMORANDUM FOR: SONYA D. PANZO
ASSOCIATE DEPUTY ASSISTANT
INSPECTOR GENERAL FOR AUDITING (JA-T)

FROM: ALAN B. THOMAS, JR. 
COMMISSIONER, FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: Response to Draft Interim Memorandum Number A170103-4: FAS
Did Not Ensure That Contract Employees Had Background
Investigations Before Providing Support to Enterprise
Infrastructure Solutions

The Federal Acquisition Service appreciates the opportunity to review and comment on the draft interim memorandum number A170103-4 "FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions." FAS is in general agreement with the conclusions. After the Exit Conferences held on May 17, 2018 and May 29, 2018, FAS provided additional documentation to update and clarify certain statements in the draft memorandum. On June 4, 2018, FAS received the "working version" of the final interim memo, which incorporates changes based upon the supplemental documentation. Thank you for considering the feedback, and for sharing the updated draft document.

One area where FAS disagrees with the conclusion is the statement "Upon completion of the training and the TOA contractor's assurance that all contract employees had received favorable interim determinations, FAS took no further action." After the December 12, 2017, training session, FAS took the following actions:

1. Assigned a new Contracting Officer Representative (COR) to provide a new focus on dedicated monitoring of the TOA task order.
2. Enhanced communication between the GSA Contracting Officer (CO) and COR.
3. Enhanced communications, oversight and review of the contractor on-boarding process as a result of the [REDACTED] security incident by having the contractor verify the accuracy and status of the Requesting Official's Contractor Approval List (ROCAL) at the monthly program review.
4. Confirmed the GSA Security background investigation process on March 29, 2018, which clarified the process and highlighted the following point, among others: Applicants

are not approved to support a GSA contract until they receive a favorable "enter on duty" determination.

5. Established monthly invoice meetings (beginning in late March 2018) for the CO and COR to review and ensure all contractors listed on the invoice had the appropriate background investigation prior to the COR approving payment.
6. Held an executive-level meeting with the contractor on April 4, 2018. The GSA ITC Assistant Commissioner, Deputy Assistant Commissioner for Acquisition and Deputy Assistant Commissioner for Category Management met with the Redhorse CEO and VP to discuss concerns.
7. Held meeting between representatives from the GSA/ITC/Security Solutions Branch and the Redhorse Facility Security Officer on May 1, 2018, to review contract requirements and examine Redhorse's processes to ensure Redhorse is following GSA Directives, Policies and Procedures. Redhorse provided the GSA CO a copy of its corporate security policies and procedures on May 16, 2018. GSA Security reviewed the document on May 23, 2018 to ensure the contractor's methods align with GSA requirements.

Looking forward, FAS intends to take the following actions to strengthen internal controls:

- Develop ITC COR Standard Operating Procedures.
- Update the CO Authorization Letter to CORs adding more detailed functions in security background checking and reviewing and approving invoices.
- Direct the Contractor to identify each new employee on the monthly invoices along with their Enter On Duty Date (EoDD) date or make a declaration that there were no new employees that month.
- Develop a documented invoice review process.
- Develop a written procedure to on-board/off-board contractors for the TOA task order.
- Establish periodic meetings between the CO, COR, GSA Security, Program Manager, the Contractor PM and Security Staff to review and update the clearance status of the Redhorse Staff.
- Modify the ROCAL spreadsheet to include the EoDD.
- Develop language for future/existing task orders that specifies the EoDD is the start date for each individual to begin work, and that individuals are not authorized to work prior to receiving their EoDD.
- Strengthen communication between senior acquisition and senior program officials within ITC to provide additional oversight and review of high risk or significant Telecommunications contracts and task orders for vulnerabilities.
- Update Personnel Security Repository Sites maintained by the Security Solutions Branch with a statement notifying users that contractor employees cannot start supporting a task order until a favorable EoDD is received.
- Provide recurring training to ITC employees on the contractor employee background investigation process
- Provide recurring training to ITC employees on Internal Controls.

Thank you for considering this feedback. If you have questions or need additional information, you may contact Crystal Philcox, Deputy Assistant Commissioner for Category Management at crystal.philcox@gsa.gov.