



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

Audit of GSA's Controls to Prevent Contracting With Suspended and Debarred Contractors

Report Number A180104/Q/2/P20004
June 19, 2020

Executive Summary

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Why We Performed This Audit

This audit was included in the GSA Office of Inspector General's *Fiscal Year 2018 Audit Plan*. The suspension and debarment process protects the federal government from fraud, waste, and abuse by using a number of tools to help prevent government agencies from doing business with irresponsible and dishonest contractors.

The objectives of this audit were to determine whether: (1) GSA has established internal controls to ensure that its eTools are updated with exclusion information for suspended and debarred contractors in a timely manner and (2) there are adequate controls in the System for Award Management (SAM) to prevent agencies from completing an exclusion entry for suspended and debarred contractors without entering a unique entity identifier.¹

What We Found

GSA does not update the exclusion status for suspended and debarred contractors in its eTools, which consist of GSA *Advantage!*, GSA eLibrary, and GSA eBuy, in a timely manner. As a result, federal agencies can unknowingly execute contract actions, including awarding a new contract, to contractors that have been suspended or debarred. We found several instances where excluded contractors were incorrectly listed on GSA's eTools and one instance where an agency purchased services off a GSA Multiple Award Schedule contract from an excluded contractor.

In addition, exclusion information for suspended and debarred contractors was not entered into SAM in accordance with federal regulations. We found that agencies are selecting the incorrect classification type, omitting the unique entity identifier, inputting incorrect contractor addresses, and omitting cross-reference data. This can prevent agencies from discovering the affiliations between entities with active exclusions and could lead to suspended and debarred contractors improperly receiving government awards.

¹ Contractors that are suspended, debarred, or proposed for debarment are classified as "excluded" in SAM and therefore should not be awarded business with the government.

What We Recommend

We recommend that:

1. The Office of GSA IT:
 - a. Identify the root cause(s) for failures to update exclusion statuses of suspended and debarred contractors within GSA's eTools and take corrective action to ensure eTools are updated with the exclusion list from SAM as scheduled, and;
 - b. Implement an automated reconciliation process to confirm daily updates were successful.
2. The GSA Office of Government-wide Policy, Suspension and Debarment Division coordinate with the Interagency Suspension and Debarment Committee to determine how best to provide more complete exclusion data as required by Federal Acquisition Regulation 9.404, *Exclusions in the System for Award Management*.

The Chief Information Officer of the Office of GSA IT and Associate Administrator of the Office of Government-wide Policy agreed with our findings and recommendations. GSA's written comments are included in their entirety in **Appendix B**.

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Introduction

We performed an audit of GSA's controls to prevent contracting with suspended and debarred contractors.

Purpose

This audit was included in the GSA Office of Inspector General's *Fiscal Year 2018 Audit Plan*. Suspension and debarment is a way to protect the federal government from fraud, waste, and abuse by excluding irresponsible and dishonest contractors from conducting business with the government. If this process is circumvented or otherwise rendered ineffective, government funds end up in the hands of those who are suspected or known to have committed wrongdoing.

Objectives

The objectives of this audit were to determine whether: (1) GSA has established internal controls to ensure that its eTools (GSA *Advantage!*, GSA eBuy, GSA eLibrary) are updated with exclusion information for suspended and debarred contractors in a timely manner and (2) there are adequate controls in the System for Award Management (SAM) to prevent agencies from completing an exclusion entry for suspended and debarred contractors without entering a unique entity identifier.

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

Background

Suspension and debarment are discretionary administrative actions taken by federal agencies to exclude individuals or entities that lack business integrity or honesty from doing business with the government. Federal Acquisition Regulation (FAR) 9.4, *Debarment, Suspension, and Ineligibility*, prescribes policies and procedures that govern suspension and debarment. This FAR subpart prescribes that agencies shall not solicit offers from, award contracts to, or consent to subcontracts with excluded contractors, unless the agency head directs otherwise. The FAR allows agencies to continue contracts or subcontracts in existence at the time the contractor was excluded. However, agencies are not permitted to add new work to, exercise contract options for, or extend an existing contract of an excluded contractor unless the head of an agency makes a written determination of the compelling reasons for such action.

An important aspect of the suspension and debarment protections under the FAR is SAM. SAM is where entities register to do business with the federal government and requires annual representations and certifications. It also contains the electronic list of "excluded parties," which identifies individuals and entities that are excluded from receiving federal contracts, certain subcontracts, and certain types of federal financial and non-financial assistance and

benefits. GSA's Office of Systems Management manages SAM (<https://www.sam.gov>) and provides technical assistance to federal agencies in the use of SAM on behalf of the Interagency Suspension and Debarment Committee (ISDC). The ISDC oversees and coordinates the government-wide system of suspension and debarment.² In the past, the ISDC has worked with GSA to help improve SAM.

Once a federal agency makes the decision to suspend or debar an entity, the agency is responsible for entering the exclusion information into the SAM database within 3 working days after the action becomes effective. GSA's Office of Government-wide Policy, Suspension and Debarment Division processes suspension and debarment cases and provides direct support to GSA's Suspension and Debarment Official. FAR 9.405(d)(4), *Effect of listing*, requires contracting officers to review SAM prior to making awards in order to ensure that a prospective contractor is not an excluded party. When performing a review in SAM, a user can search by the entity's name, Data Universal Numbering System (DUNS) number, or the entity's Commercial and Government Entity code.³

Another important aspect of suspension and debarment protection is GSA's eTools, which customer agencies can use to help manage their GSA procurement transactions, place orders, or learn about business opportunities. Three key components of GSA's eTools are:

- **GSA Advantage!** - An online shopping and ordering system that provides access to thousands of contractors and millions of supplies and services. Federal government employees make purchases on *GSA Advantage!*.
- **GSA eLibrary** - Provides the latest contract award information for GSA and Department of Veterans Affairs Multiple Award Schedule (MAS), as well as Government-wide Acquisition Contracts.
- **GSA eBuy** - An online Request for Quotation tool designed to facilitate the request for submission of quotations for a wide range of commercial supplies and services that are offered by GSA MAS, Government-wide Acquisition Contracts, and Department of Veterans Affairs MAS contractors. It is part of the *GSA Advantage!* system.

The Office of GSA IT is responsible for monitoring and ensuring that contractors' exclusion information in GSA's eTools stays up-to-date with the most current information in SAM. The

² The ISDC is an interagency committee that was established in 1986 under Executive Order 12549. ISDC members include all 24 agencies covered by the Chief Financial Officers Act. Additionally, over 18 independent federal agencies and corporations participate on the ISDC.

³ A DUNS number is a unique nine-digit identification number assigned by Dun & Bradstreet, Inc. The Commercial and Government Entity (CAGE) code is a five-character, alphanumeric identifier assigned to entities located in the United States and its outlying areas by the Defense Logistics Agency's Commercial and Government Entity Office to identify a commercial or government entity. In accordance with FAR 4.18, *Commercial and Government Entity Code*, CAGE codes for international entities registering in SAM are managed by the NATO Support Procurement Activity and provided to the Defense Logistics Agency's Commercial and Government Entity Office.

update is part of an automated process that is scheduled to run every evening after business hours.

During this process, the Federal Supply Service-19 (FSS-19) system extracts the exclusion list data from SAM via a web service on a daily basis. FSS-19 is an end-to-end order processing system, performing all major phases of the order process to support the GSA Federal Acquisition Service's Office of General Supplies and Services and Office of Acquisition Management business lines. After FSS-19 extracts the list of excluded contractors, it sends a file with the list to GSA's eTools, which then feeds the list into GSA *Advantage!*, GSA eBuy, and GSA eLibrary daily. The exclusion list includes DUNS numbers to identify the contractors, as well as exclusion start and end dates.

When GSA's eTools finds a match to a contractor's DUNS number from the exclusion list, it assigns the contractor with a tag stating, "Contractor found on the Excluded Parties List System [EPLS]" within GSA's eTools. This tag alerts any potential buyers that the contractor is currently excluded. In addition, the GSA *eLibrary Help Guide v.9.1* states that "if the business 'is' found on the SAM/EPLS system, it is advised that you review the exclusion in SAM."⁴

GSA's eTools were designed to assist agencies during each phase of the acquisition process, from buying products and services through eligible contractors to performing effective market research. Therefore, it is important that the exclusion information for suspended and debarred contractors presented in its eTools is accurate and current.

⁴ Prior to November 2012, suspension and debarment data was recorded in the EPLS. In November 2012, the EPLS was incorporated into SAM.

Results

GSA does not update the exclusion status for suspended and debarred contractors in its eTools in a timely manner. As a result, federal agencies can unknowingly execute contract actions, including awarding a new contract, to contractors that have been suspended or debarred. Additionally, exclusion information for suspended and debarred contractors was not entered into SAM in accordance with federal regulations. We found that agencies are selecting the incorrect classification type, omitting the unique entity identifier, inputting incorrect contractor addresses, and omitting cross-reference data. Failure to enter the required exclusion information could lead to excluded contractors improperly receiving government funds.

Finding 1 – GSA does not update the exclusion status for suspended and debarred contractors in its eTools in a timely manner.

GSA's procedure to update the exclusion status for suspended and debarred contractors in its eTools is not timely. We found six instances where suspended and debarred contractors were incorrectly displayed on GSA's eTools as not excluded because the contractors' exclusion statuses were not updated in a timely manner. As a result, an agency purchased from an excluded contractor because it assumed the contractor was eligible based on the incorrect information in the eTool *GSA Advantage!*.

We compared entities that appeared in the list of excluded contractors in SAM with those that had contract actions in the Federal Procurement Data System – Next Generation (FPDS-NG) in Fiscal Year 2018, and with a list of contractors in GSA eLibrary.⁵ Based on these comparisons, we found multiple instances in which suspended or debarred contractors were incorrectly listed in GSA's eTools. These are described in detail below.

Comparison of SAM Exclusions to FPDS-NG

We performed a detailed analysis of 27 suspended or debarred contractors that had contract actions in FPDS-NG during Fiscal Year 2018 and found suspended and debarred contractors that had not been tagged by GSA's eTools.

For example, we identified a former GSA contractor that was debarred from February 8, 2016, to June 15, 2019, by the Department of Commerce. However, the GSA MAS contract file included a GSA eLibrary screenshot from October 23, 2017, that showed the contractor still had an active GSA contract and was "not found on the EPLS," even though the contractor had been excluded for 624 days.

In a second example, we found a GSA MAS contractor with an active exclusion in SAM that sold services to the Department of the Navy while it was suspended. The Environmental Protection

⁵ FPDS-NG is the central repository for capturing information on federal procurement actions.

Agency had indefinitely suspended the contractor in SAM on April 27, 2018, due to allegations that the contractor illegally dumped waste from its portable toilets into city sewer systems across Southern California. The contractor was convicted for the illegal dumping on May 23, 2018. Notwithstanding the debarment and conviction, the Department of the Navy purchased \$10,269 in services from the contractor on July 3, 2018. Although agencies are required to review the exclusion records in SAM prior to making purchases through GSA's MAS, when asked, Department of the Navy employees stated that "the current status of this vendor comes as a surprise to us" because GSA *Advantage!* "showed the contract as valid."⁶

Comparison of SAM Exclusions to List of Contractors in GSA eLibrary

We also compared a list of 14,500 active contractors on GSA eLibrary to a list of 5,160 excluded contractors in SAM that had a DUNS number and identified four suspended or debarred contractors that had active GSA contracts. Four of those contractors were incorrectly listed on GSA eLibrary as "Contractor not found on the Excluded Parties List System" even though they had been suspended or debarred. See *Figure 1* for a listing of the four contractors, including a calculation of the length of time that each contractor was incorrectly listed.

Figure 1 – Excluded Contractors Incorrectly Listed on GSA eLibrary

Excluded Contractor	Excluding Agency	SAM Entry Date (Create Date)	Effective Active Date of Exclusion	Exclusion Termination Date	Date Listed in GSA eLibrary as "Contractor not found on the Excluded Parties List System"	Difference (in Days)
Contractor A	GSA	9/11/2019	9/11/2019	10/4/2019	9/25/2019	14
Contractor B	Air Force	4/3/2019	4/3/2019	4/3/2022	6/11/2019	69
Contractor C	Army	1/4/2019	1/3/2019	Indefinite	6/11/2019	159
Contractor D	HUD	9/13/2018	8/31/2018	Indefinite	6/11/2019	284

According to the Office of GSA IT's explanation of how GSA's eTools interfaces with SAM, the exclusion statuses for these contractors should have been updated in GSA eLibrary the night the exclusion entry was made in SAM. The Office of GSA IT did not provide an explanation for why the status did not update. If the exclusion status is not updated in GSA's eTools in a timely manner, federal agencies can unknowingly execute contract actions, including awarding new contracts, to contractors that have been suspended or debarred.

Government customers rely on GSA's eTools to conduct contractor and market research in order to locate and make purchases from eligible contractors throughout the country. Therefore, it is important that exclusion statuses are accurate to prevent suspended or debarred contractors from receiving government funds. Although we found that only six contractors' exclusion statuses were not updated in a timely manner, the potential exists for a

⁶ GSA canceled the contract due to lack of sales prior to our audit. Therefore, we could not directly verify the contractor's exclusion status because it was no longer listed on GSA *Advantage!*.

government customer to purchase items or services from an excluded contractor, as evidenced in the Department of the Navy example above. Accordingly, GSA should identify the root cause(s) of why contractors' exclusion statuses in SAM are not always updated in a timely manner within GSA's eTools and implement controls to prevent recurrence.

Finding 2 – Exclusion information for suspended and debarred contractors is not being entered into the System for Award Management in accordance with federal regulations, risking award to excluded contractors.

Exclusion information for suspended and debarred contractors is not being entered into SAM in accordance with federal regulations. We found contractor exclusions that lacked a unique entity identifier (DUNS number) and other required information. When this happens, contracting officers and other agency officials have to rely on name and address matches when considering an award rather than searching for a DUNS number. Searching by name makes it more difficult to definitively identify the excluded party because contractors may operate with the same or similar names.

We also found instances where the agency official entered an incorrect address or omitted proper cross-references to other excluded parties. As a result, exclusions can go undetected. Failure to enter the required exclusion information could lead to suspended and debarred contractors improperly receiving government funds.

FAR 9.404, *Exclusions in the System for Award Management*, provides a list of the information that should be entered when creating an exclusion record in SAM, including but not limited to:

- Names and addresses of the entities excluded (with cross-references when more than one name is involved in a single action);
- Name of the agency or other authority taking the action;
- Cause for and effect of the action;
- Termination date for each listing; and
- Unique entity identifier.

The data included in the exclusion record will depend on the excluded entity's classification. Every exclusion record in SAM falls within one of four classification types:

- Individual – A person;
- Firm – A company with a valid DUNS number;
- Special Entity Designation (SED) – Any entity that is not a vessel, individual, or firm; and
- Vessel – Mode of transportation capable of transport by water.⁷

⁷ SAM Federal User Guide v.2.2, GSA, June 29, 2018, page 197 of 297.

The proprietary DUNS number is currently the unique entity identifier and required to obtain a registration record to do business with the federal government. When an agency suspends or debars a contractor, it creates an exclusion record, separate from the registration record, in SAM. For exclusion records, a DUNS number is only required if the entity classification type selected is "Firm."

To determine whether any exclusion entries should have been entered with a valid DUNS number, classified as a Firm, and contained required information, we sampled 20 SED exclusion entries submitted by several agencies. We confirmed with Dun & Bradstreet that 16 of those entities did in fact have a valid DUNS number and therefore should have been classified as a Firm. Ten of these 16 entities had a registration record in SAM with a valid DUNS number at the time when the exclusion record was created. However, because the exclusion records were entered as SEDs without a DUNS number, if the user performs a search using the "DUNS Number Search" field in SAM, the exclusion record for these entities will not appear. This may prevent users from identifying the excluded party that has been suspended or debarred.

In addition, we identified instances from our sampled SED exclusion entries where the agency entering the exclusion information input inaccurate and incomplete exclusion information in SAM. For seven exclusions from our sample, the address entered was either a P.O. Box, residential address, or the contractor's attorney's address from a different state, instead of the contractor's address. Excluding the DUNS number and the contractor's address from the exclusion record creates a significant challenge for the user to determine if a particular entity is suspended or debarred.

Further, we identified seven exclusions from our sample that involved more than one name and lacked cross-references. Cross-references allow a user to identify and connect active exclusion records when more than one party is involved in the same case, or when a party is operating under more than one name or address.⁸ Missing cross-references may prevent contracting officers and other agency officials from discovering the affiliations between individuals and entities who are suspended or debarred.

SAM helps to ensure that exclusions of individuals and entities who have been suspended or debarred are detectable throughout the government. However, incomplete and inaccurate exclusion entries within SAM diminish the integrity and reliability of the information, creating the potential for improper awards and payments to suspended or debarred individuals or businesses. Accordingly, GSA should coordinate with the ISDC to determine how best to meet the intent of providing more complete exclusion data as required by FAR 9.404, *Exclusions in the System for Award Management*.

⁸ SAM Federal User Guide v.2.2, GSA, June 29, 2018, page 214 of 297.

Conclusion

GSA does not update the exclusion status for suspended and debarred contractors in its eTools in a timely manner. As a result, federal agencies can unknowingly execute contract actions, including awarding a new contract, to suspended or debarred contractors. We found several instances where excluded contractors were incorrectly listed on GSA's eTools and one instance where an agency purchased services off a GSA MAS contract from an excluded contractor.

In addition, exclusion information for suspended and debarred contractors was not entered into SAM in accordance with federal regulations. We found that agencies are selecting the incorrect classification type, omitting the unique entity identifier, inputting incorrect contractor addresses, and omitting cross-reference data. This can prevent agencies from discovering the affiliations between entities with active exclusions and could lead to suspended and debarred contractors improperly receiving government awards.

Recommendations

We recommend that:

1. The Office of GSA IT:
 - a. Identify the root cause(s) for failures to update exclusion statuses of suspended and debarred contractors within GSA's eTools and take corrective action to ensure eTools are updated with the exclusion list from SAM as scheduled, and
 - b. Implement an automated reconciliation process to confirm daily updates were successful.
2. The GSA Office of Government-wide Policy, Suspension and Debarment Division coordinate with the ISDC to determine how best to provide more complete exclusion data as required by FAR 9.404, *Exclusions in the System for Award Management*.

GSA Comments

The Chief Information Officer of the Office of GSA IT and Associate Administrator of the Office of Government-wide Policy agreed with our findings and recommendations. GSA's written comments are included in their entirety in **Appendix B**.

Audit Team

This audit was managed out of the Northeast and Caribbean Region Audit Office and conducted by the individuals listed below:

Gregory Ventola	Acting Regional Inspector General for Auditing
Yajaira Torres	Auditor-In-Charge
Clarke Birrell	Auditor

Appendix A – Scope and Methodology

This audit was included in the GSA Office of Inspector General's *Fiscal Year 2018 Audit Plan*. We examined SAM exclusion and FPDS-NG data.

To accomplish our objectives, we:

- Examined relevant criteria, including the FAR, SAM *Federal User Guide*, and GSA *eLibrary Help Guide v.9.1*;
- Reviewed the U.S. Government Accountability Office's report, *Excluded Parties List System: Suspended and Debarred Businesses and Individuals Improperly Receive Federal Funds*;
- Reviewed previous GSA Office of Inspector General audit reports and relevant background information;
- Held discussions with GSA officials regarding the suspension and debarment process, GSA's eTools, and SAM;
- Reviewed the U.S. Government Accountability Office's *Standards for Internal Control in the Federal Government*;
- Accessed GSA's systems to export exclusion data from SAM and contract data from the FPDS-NG;
- Examined current SAM exclusion data and FPDS-NG contract data for Fiscal Year 2018;
- Compared a list of all 14,500 contractors on GSA eLibrary to a list of 5,160 excluded contractors in SAM that had a DUNS number;
- Examined a judgmental sample of 20 SED exclusions;
- Reviewed Dun & Bradstreet reports and the State Corporation and Business Entity database for background information; and
- Reviewed contract files in GSA's Electronic Contract Management System and its Electronic Acquisition System Integration and examined exclusion statuses on GSA eLibrary and GSA *Advantage!*.

We conducted the audit between November 2018 and September 2019 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.

Appendix B – GSA Comments

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GSA Office of the Chief Information Officer

June 2, 2020

MEMORANDUM FOR Gregory Ventola
Acting Regional Inspector General for Auditing

FROM : David Shive *David Shive*
Chief Information Officer (I)

THROUGH: Jessica Salmoiraghi
Associate Administrator
Office of Government-wide Policy (M)

SUBJECT: Response to OIG DRAFT Final Report: *Audit of GSA's Controls to Prevent Contracting With Suspended and Debarred Contractors Report Number A180104*

Thank you for the opportunity to review the subject report. GSA IT has completed its review and concurs with the findings and the recommendation that:

1. The Office of GSA IT:
 - a. Identify the root cause(s) for failures to update exclusion statuses of suspended and debarred contractors within GSA's eTools and take corrective action to ensure eTools is updated with the exclusion list from SAM as scheduled, and;
 - b. Implement an automated reconciliation process to confirm daily updates were successful

We have developed corrective actions accordingly.

The GSA Office of Government-wide Policy, Suspension and Debarment Division, agrees with the recommendation to engage the ISDC to examine practices and regulations related to data entry for exclusions in the System for Award Management.

If you have any questions, please contact me at 202-501-1000 or Lesley Briante, Associate CIO, Planning and Governance, at lesley.briante@gsa.gov or (202) 202-501-0797.

1800 F Street, NW
Washington, DC 20405-0002

www.gsa.gov

Appendix C – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Chief Information Officer (I)

Deputy Chief Information Officer (ID)

Chief of Staff (I)

Associate Administrator (M)

Acting Deputy Associate Administrator (M1)

Chief of Staff (M1)

Assistant Commissioner for Systems (QD)

Program Manager (QD2B)

Program Advisor (M1V)

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Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

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