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Office of Audits

March 2020

Audit of Selected Bureau of Administration, Office of Operations, Office of Facilities Management Services, Contracts

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION



HIGHLIGHTS

Office of Inspector General
United States Department of State

AUD-CGI-20-21

What OIG Audited

Within the Bureau of Administration, Office of Operations, the Office of Facilities Management Services (FMS) operates and maintains owned and delegated Department of State (Department) facilities in the metropolitan Washington, DC, area and at other domestic locations. FMS has the critical responsibility to provide safe, comfortable, and sustainable work environments in domestic facilities to support the Department's mission. To carry out its responsibility, FMS uses management service contracts to provide essential services that are necessary to make buildings habitable.

The Office of Inspector General (OIG) conducted this audit to determine whether FMS administered and oversaw selected domestic FMS contracts in accordance with the Federal Acquisition Regulation and Department policies and guidance. To perform the audit, OIG selected four task orders associated with four different FMS contracts that had a combined value of more than \$151 million.

What OIG Recommends

OIG made nine recommendations intended to improve the administration and oversight of current and future FMS contracts. On the basis of management's response to a draft of this report, OIG considers one recommendation closed and eight resolved, pending further action. A synopsis of management's response and OIG's reply follow each recommendation in the Audit Results section of this report. FMS's and the Bureau of Administration, Office of the Procurement Executive's (OPE), response to a draft of this report are reprinted in their entirety in Appendices B and C, respectively. A summary of OPE's general comments about the draft report and OIG's reply is presented in Appendix D.

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OFFICE OF AUDITS

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What OIG Found

FMS's Contracting Officer's Representatives (COR) did not consistently administer and oversee the task orders reviewed for this audit, in accordance with the FAR and Department guidance. Specifically, for three of the four task orders reviewed, COR files were incomplete or were missing, which limited OIG's ability to assess whether the designated CORs consistently monitored contractor performance. In addition, OIG found that the CORs for three task orders were not maintaining records of invoice reviews. Furthermore, OIG found that the option year for one task order was exercised almost a month after the prior option period had ended.

These deficiencies occurred, in part, because FMS had not established and implemented the internal management controls necessary to effectually oversee the task orders. The Contracting Officer (CO) did not identify specific duties and responsibilities in the COR designation memoranda, nor did FMS establish specific procedures for establishing a quality assurance surveillance plan, executing that plan, and properly recording invoice reviews. With respect to the option year that was exercised a month after the prior option period ended, this occurred because FMS did not establish requirements, timeframes, and expectations of oversight of the acquisition planning process. In addition, the CO and the COR did not communicate for the option year to be exercised in a timely manner.

It is important for these deficiencies to be corrected so that FMS can demonstrate comprehensive oversight of the task orders it administers and can achieve reasonable assurance that contractor performance is supporting FMS's mission. In addition, incomplete COR files inhibit access to technical contract information and hinder the transition of oversight responsibilities when a new COR is assigned. Furthermore, without specifics in the COR designation memoranda, oversight personnel may not fully understand their responsibilities in administering and overseeing the task orders assigned.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Administration, Office of Operations, Office of Facilities Management Services (FMS), administered and oversaw selected domestic FMS contracts in accordance with the Federal Acquisition Regulation (FAR) and Department of State (Department) policies and guidance.

In December 2018, OIG reported¹ that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), had identified issues concerning acquisition planning, the “misuse” of FAR clauses for contract extensions, disregard for the Department of State Acquisition Regulation (DOSAR), and inadequate contract administration associated with 15 FMS contracts. OIG reviewed the issues identified by AQM and concluded that acquisition planning was indeed lacking and that FMS contracts had been improperly extended multiple times because FAR clauses had been misused and the Bureau of Administration, Office of the Procurement Executive (OPE), had not approved extensions, as required by the DOSAR.² This audit was initiated to identify the root causes associated with these deficiencies.

BACKGROUND

Within the Bureau of Administration, Office of Operations, FMS operates and maintains owned and delegated Department facilities in the metropolitan Washington, DC, area³ and at other domestic locations.⁴ FMS has the critical responsibility to provide safe, comfortable, and sustainable work environments in domestic facilities to support the Department’s mission. FMS operates and oversees the maintenance of all building systems, including heating, ventilation, air conditioning, plumbing, lighting, electrical, fire protection and suppression systems, elevators, and escalators. FMS also operates and oversees building services, including custodial, pest control, grounds maintenance, trash removal, recycling, waste management, and snow removal. In short, the FMS contracts provide essential services that are necessary to make buildings habitable.

¹OIG, *Information Report: Bureau of Administration Took Action To Address Expired Office of Facilities Management Services Contracts* (AUD-CGI-19-12, December 2018).

² OIG selected 5 of the 15 FMS contracts to validate the conclusions reached by AQM officials.

³ Metropolitan Washington, DC, area locations include the Harry S Truman Building, Columbia Plaza, and Blair House.

⁴ Other Department domestic locations include the Portsmouth Consular Center in Portsmouth, NH; the Charleston Regional Center in Charleston, SC; the Enterprise Server Operations Center West in Denver, CO; and the Florida Regional Center in Fort Lauderdale, FL.

FMS Management Services Contracts and Task Orders

To carry out these services, FMS uses indefinite-delivery, indefinite-quantity (IDIQ)⁵ contracts with subsequent task orders. The basic services of the contract consisted of recurring requirements for which the contractor was paid a firm-fixed base price. The contracts' periods of performance are for a base period and vary in the number of option years. In FY 2018, FMS had 30 management services contracts with an estimated value of \$256.8 million and 30 associated task orders.⁶ In the first quarter of FY 2019, FMS had 15 contracts with an estimated value of \$574.4 million and 38 associated task orders. To perform the audit, OIG selected four task orders associated with four different FMS contracts. Details on the four task orders selected are presented in Table 1.⁷

Table 1: FMS Management Services Task Orders Selected for Review

Task Order	Contractor	Date Awarded	Purpose of Task Order	Not-to-Exceed Amount
19AQMM19F0022	Tatitlek Technologies, Inc.	November 2018	Basic operations and maintenance services	\$52,843,435
19AQMM19F0023	PacArctic, LLC	November 2018	Basic operations and maintenance services	28,883,388
SAQMMA16F3123	Quality Elevator Co., Inc.	August 2016	Repairs, preventive maintenance, and inspection of elevators, escalators, and lifts	10,697,165
SAQMMA15F4222*	EMCOR Government Services, INC.	September 2015	Basic operations and maintenance services	59,500,000
Total				\$151,923,988

* Task order ended October 2018.

Source: Generated by OIG from management services task order data provided by AQM.

⁵ IDIQ is a type of contract that provides for an indefinite quantity of supplies or services during a fixed time. As noted in FAR 16.501-2(a), "General," the "appropriate type of indefinite-delivery contract may be used to acquire supplies and/or services when the exact times and/or exact quantities of future deliveries are not known at the time of contract award." The Government issues task orders under an IDIQ contract to specify the exact delivery times and quantities and to provide funding for the task.

⁶ Some contracts did not have task orders associated with them, although other contracts had up to three associated task orders.

⁷ Appendix A: Purpose, Scope, and Methodology provides details on how the contracts and associated task orders were selected for review.

Tatitlek Technologies, Inc., Contract and Task Order

In September 2018, AQM awarded IDIQ Contract 19AQMM18D0118 to Tatitlek Technologies, Inc., for the purpose of consolidated facilities maintenance at various Department facilities in the Washington, DC, metropolitan area. The Tatitlek Technologies, Inc., contract, awarded on behalf of FMS, has a maximum performance period of 8 years (base year plus 7 option years) and a not-to-exceed amount of \$250 million. As of December 2018, AQM had issued 17 task orders under the Tatitlek Technologies, Inc., contract, of which the largest was Task Order 19AQMM19F0022.

In November 2018, AQM awarded firm-fixed-price (FFP) Task Order 19AQMM19F0022⁸ to Tatitlek Technologies, Inc., for complete facilities maintenance services⁹ at the Harry S Truman building in Washington, DC. The task order also contained components not covered in the monthly FFP of the task order, such as reimbursable work authorizations, overtime, and security clearance escorts for which payment is made on a case-by-case basis. The period of performance for the task order is November 1, 2018, through August 31, 2019, with two option periods through August 31, 2021 not to exceed \$52,843,435.

According to the statement of work, this task order is a performance-based service contract in which a “higher level of effective communication” between FMS and the contractor is essential for the contract’s terms and conditions to be fulfilled. In addition, the statement of work states, “In this Contract, more emphasis is placed on the Contractor’s self-management of quality, not the usual external inspection by Government Inspectors, although that is a part of this Contract as well.”

PacArctic, LLC Contract and Task Order

In September 2018, AQM awarded IDIQ Contract 19AQMM18D0117 to PacArctic, LLC for the purpose of consolidated facilities maintenance at various Department facilities outside the Washington, DC, metropolitan area. The PacArctic, LLC contract, awarded on behalf of FMS, has a maximum performance period of 8 years (base year plus 7 option years) and a not-to-exceed amount of \$200 million. As of December 2018, AQM had issued eight task orders under the PacArctic, LLC contract, of which the largest was Task Order 19AQMM19F0023.

⁸ For this task order, OIG reviewed actions that occurred in the first three quarters of FY 2019.

⁹ Complete facilities maintenance services include management, supervision, labor, materials, equipment, supplies, administration, subcontracts, and reimbursable building alterations. The contractor is also responsible for the efficient, effective, economical, and satisfactory operation, scheduled and unscheduled maintenance, and repair of equipment and systems. For example, specific areas of the contractor’s responsibility include preventive maintenance, architectural and structural systems maintenance, water treatment services, custodial services, snow removal services, and landscaping services.

In November 2018, AQM awarded FFP Task Order 19AQMM19F0023¹⁰ to PacArctic, LLC for complete facilities maintenance services at the Portsmouth Consular Center and corresponding buildings in Portsmouth, NH. The task order also contained components not covered in the monthly FFP of the task order, such as reimbursable work authorizations, overtime, and security clearance escorts, for which payment is made on a case-by-case basis. The period of performance for the task order is November 1, 2018, through August 31, 2019, with three option periods through August 31, 2022, not to exceed \$28,883,388.

According to the statement of work, this task order is a performance-based service contract in which a “higher level of effective communication” between FMS and the contractor is essential for the contract’s terms and conditions to be fulfilled. In addition, the statement of work states, “In this Contract, more emphasis is placed on the Contractor’s self-management of quality, not the usual external inspection by Government Inspectors, although that is a part of this Contract as well.”

Quality Elevator Co., Inc., Contract and Task Order

In August 2016, AQM awarded IDIQ Contract SAQMMA16D0126 to Quality Elevator Co., Inc., for the purpose of elevator maintenance at various Department facilities in the Washington, DC, metropolitan area. The Quality Elevator Co., Inc., contract, awarded on behalf of FMS, has a maximum performance period of 5 years (base year plus 4 option years) and a not-to-exceed amount of \$10,697,165. As of December 2018, AQM had issued one task order under the Quality Elevator Co., Inc., contract.

In August 2016, AQM awarded FFP Task Order SAQMMA16F3123¹¹ to Quality Elevator Company, Inc., for repairs, preventive maintenance, and inspection of elevators, escalators, and lifts located at the Harry S Truman building, the Potomac Annex, Blair House, the International Chancery Center, the Beltsville Information Management Center, Columbia Plaza Complex, and the National Foreign Affairs Training Center. The period of performance for the task order including the base year and four option periods is August 1, 2016, through July 31, 2021, not to exceed \$10,697,165.

EMCOR Government Services, Inc., Contract and Task Order

In May 2011, AQM awarded IDIQ Contract SAQMMA11D0079 for operations and maintenance services at the Harry S Truman building and Blair House in Washington, DC. The EMCOR Government Services, Inc., contract, awarded on behalf of FMS, had a maximum performance period of 5 years (base year plus 4 option years); however, this contract’s period of

¹⁰ For this task order, OIG reviewed actions that occurred in the first three quarters of FY 2019.

¹¹ For this audit, OIG reviewed task order actions that occurred during FY 2018 and the first three quarters of FY 2019.

performance was extended to October 2018.¹² This contract had a final not-to-exceed amount of \$88,100,000.

In September 2015, AQM awarded FFP Task Order SAQMMA15F4222¹³ to EMCOR Government Services, Inc., for operations and maintenance services¹⁴ at the Harry S Truman building and Blair House. The task order also contained components not covered in the monthly FFP of the task order, such as repair services and security clearance escorts, for which payment is made on a case-by-case basis. The period of performance for the task order was September 1, 2015, through August 31, 2016; however, this task order's period of performance was extended to October 2018. This task order had a final not-to-exceed amount of \$59,500,000.

Contract Administration and Oversight Responsibilities

OPE is responsible for overseeing the Department's overall contracting activities, including activities by both Contracting Officers (CO) and Contracting Officer's Representatives (COR). As outlined in the Foreign Affairs Manual (FAM)¹⁵ and the Foreign Affairs Handbook (FAH),¹⁶ OPE appoints COs, certifies that CORs meet training and experience requirements, conducts oversight reviews of CO and COR activities, and establishes the Department's contracting policies.

Within OPE, AQM plans and directs the Department's acquisition programs and conducts contract operations that support worldwide activities. AQM provides a full range of contract management services, including acquisition planning, contract negotiations, cost and price analysis, and contract administration.

The FAR, the DOSAR, and Department policies describe the roles and responsibilities of Government personnel who award, administer, and oversee contracts. The CO is the U.S. Government's authorized agent for working with contractors and has sole authority to solicit proposals and negotiate, award, administer, modify, or terminate contracts. COs within AQM are responsible for awarding and administering contracts and associated task orders. The CO performs duties at the request of the office that requires the contract and relies on those offices for technical support concerning the products or services being acquired.¹⁷ For facility management services in the metropolitan Washington, DC, area and at other domestic Department locations, FMS is responsible for developing and communicating contract requirements.

¹² OIG conducted a limited-scope evaluation of FMS contract extensions, the results of which were contained in report AUD-CGI-19-12, issued in December 2018.

¹³ For this task order, OIG reviewed actions that occurred during FY 2018 and the first three quarters of FY 2019.

¹⁴ These services consisted of the following: operation, maintenance, repair, preventive maintenance, installation and alterations of the building equipment and systems; fire suppression system, plumbing, mechanical, electrical, energy management, building architectural systems and reimbursable building alterations.

¹⁵ 1 FAM 212.2(b) (7), (8), (12), "Office of the Procurement Executive (A/OPE)."

¹⁶ 14 FAH-2 H-143.1(h), "COR Training Requirements."

¹⁷ 14 FAH-2 H-141(a), "Responsibilities of the Contracting Officer."

FMS is also responsible for providing funding and overseeing FMS contracts and their associated task orders. To assist with that oversight, a CO may designate, in writing, a technically qualified person as a COR.¹⁸ The COR is required to have the appropriate level of the Federal Acquisition Certification for CORs.¹⁹ The CO is responsible for ensuring that the designated COR is properly exercising delegated authorities and is maintaining records that support contract administration. For these contracts, the CO is an employee of AQM and the COR is an employee of FMS, the requesting office.

In general, the COR is delegated limited authority to act on behalf of the CO to conduct surveillance to verify that the contractor is fulfilling contract requirements and to document performance for the contract record.²⁰ The CO outlines the COR's specific duties, responsibilities, and authorities in a delegation memorandum.²¹ CORs who oversee the FMS contracts and associated task orders are FMS personnel and, generally, the building managers. CORs are not directly supervised by the COs, but Department policy requires COR supervisors to request input from the COs on their oversight performance.²² Responsibilities designated to CORs typically include the following:

- Monitoring the contractor's technical progress and the expenditures of resources relating to the contract.
- Performing inspections and accepting the work on behalf of the U.S. Government.
- Resolving technical issues arising under the contract that fall within the scope of the COR's authority and referring to the CO any issues that cannot be resolved without additional cost or time.
- Reviewing and approving the contractor's vouchers or invoices after adequately verifying the costs against supporting documentation.
- Maintaining a COR file for each assigned contract.²³

Acquisition Planning

Acquisition planning activities should integrate the efforts of all personnel responsible for significant aspects of the acquisition.²⁴ Generally, program and contracting offices share responsibility for acquisition planning activities and the preparation of written acquisition plans.²⁵ Furthermore, the FAR directs agency heads to establish acquisition planning

¹⁸ FAR 1.602-2(d), "Responsibilities" and 14 FAH-2 H-143(a), "Designating a Contracting Officer's Representative (COR)."

¹⁹ 14 FAH-2 H-143.1.

²⁰ 14 FAH-2 H-142, "Responsibilities of the Contracting Officer's Representative (COR)."

²¹ 14 FAH-2 H-143.2, "COR Appointment Procedures."

²² 14 FAH-2 H-114(g), "COR Work Commitments" (September 29, 2014).

²³ 14 FAH-2 H-142.

²⁴ FAR 7.102(b), "Policy."

²⁵ FAR 7.104(c) requires the acquisition planner to coordinate and obtain the concurrence of the CO in all acquisition planning.

procedures.²⁶ According to an AQM memorandum, the contract specialist and program manager will coordinate with personnel responsible for significant aspects of the plan. The acquisition plan will be signed by the CO and the program manager.²⁷

AUDIT RESULTS

Finding A: Improvements Needed in the Administration and Oversight of Office of Facilities Management Services Contracts and Task Orders

OIG found that FMS's CORs did not consistently administer and oversee selected task orders in accordance with the FAR and Department guidance. Specifically, for three of the four task orders reviewed, COR files were incomplete or were missing, which limited OIG's ability to assess whether the designated CORs consistently monitored contractor performance. In addition, OIG found that the CORs for three task orders were not maintaining records of invoice reviews. Furthermore, OIG found that the option year for one task order was exercised almost a month after the prior option period had ended.

These deficiencies occurred, in part, because FMS focused its attention on facilities maintenance and had not established and implemented the internal management controls necessary to effectually oversee the task orders. Specifically, FMS did not establish standard operating procedures related to COR duties, such as maintaining organized and complete COR files, maintaining electronic COR file documentation in a shared location, or transferring documentation to a new COR. In addition, AQM COs, who are appointed by OPE, did not identify specific duties and responsibilities in the COR designation memoranda, nor did FMS have specific procedures for establishing a quality assurance surveillance plan, executing that plan, and properly recording invoice reviews. With respect to the option year being exercised a month after the prior option period ended, this occurred because FMS did not establish requirements, timeframes, and expectations of oversight of the acquisition planning process. In addition, the AQM CO and the FMS COR did not communicate for the option year to be exercised in a timely manner.

It is important for these deficiencies to be corrected so that FMS can demonstrate comprehensive oversight of the task orders it administers and to achieve reasonable assurance that contractor performance is supporting FMS's mission. In addition, incomplete COR files inhibit access to technical contract information and hinder the transition of oversight responsibilities when a new COR is assigned. Furthermore, without specifics in the COR designation memoranda, oversight personnel may not fully understand their responsibilities in administering and overseeing the task orders assigned.

²⁶ FAR 7.103, "Agency-Head Responsibilities."

²⁷ AQM Memorandum 15-10, "Acquisition Plans" (March 18, 2015).

Contracting Officer's Representative Files Were Incomplete

The FAR²⁸ and the FAH²⁹ state that the COR is responsible for keeping documentation of all the actions taken in the performance of COR duties. The purpose of the COR file is to provide easy access to technical contract information and to ease transition to a new COR. The FAH³⁰ requires CORs to maintain a COR file containing pertinent details and information about the contract, including copies of the contract, modifications, copies of invoices, and supporting documentation, and that the files be clearly indexed. In addition, the FAH states that the COR must certify to the CO that files are being maintained appropriately³¹ and that COR files will be verified upon COR transfer.³² Furthermore, the FAH recommends keeping an electronic copy of the contract on a shared drive for administrative ease.³³ According to Procurement Information Bulletin (PIB) No. 2014-10, COs are also responsible for determining that CORs exercising delegated authority are maintaining records adequate to support contract administration. Therefore, the CO and the COR share responsibility for ensuring COR files are maintained properly.³⁴

Of the four task orders reviewed for this audit, OIG found only one instance (Task Order 19AQMM19F0023)³⁵ in which the COR properly established and maintained the COR file. In this instance, the COR maintained an electronic file on his computer that contained all the required documentation needed to effectively administer and oversee the task order. However, the CORs assigned to the three other task orders reviewed (Task Orders 19AQMM19F0022,³⁶ SAQMMA16F3123,³⁷ and SAQMMA15F4222³⁸) did not properly establish or maintain the COR files in accordance with the FAR and Department guidance. Specifically, CORs did not document activities that occurred during the life of the contract or maintain relevant and required technical contract information in the files. In addition, the files were not properly organized and indexed. In some instances, the CORs were able to retrieve and provide OIG information that should have been maintained in the centralized COR file, such as a copy of the contract and the COR delegation letter, but relevant and required documentation was often missing. The

²⁸ FAR 1.604(c), "Contracting Officer's Representative (COR)."

²⁹ 14 FAH-2 H-142(b) (16) and 14 FAH-2 H-517(a-b), "Standard Contracting Officer's Representative (COR) Working File."

³⁰ 14 FAH-2 H-517(a).

³¹ 14 FAH-2 H-517(c).

³² 14 FAH-2 H-517(d).

³³ 14 FAH-2 H-573.3, "Government Contract Files."

³⁴ OPE PIB No. 2014-10, "Contract Files and COR File Checklist" (June 4, 2015).

³⁵ Task Order 19AQMM19F0023 had one COR since the task order was awarded in November 2018. OIG interviewed the current COR.

³⁶ Task Order 19AQMM19F0022 had two CORs since the task order was awarded in November 2018. OIG interviewed the previous COR and current COR. The current COR was also the COR for Task Order SAQMMA15F4222.

³⁷ Task Order SAQMMA16F3123 had multiple CORs since the task order was awarded in August 2016. OIG interviewed the current COR.

³⁸ Task Order SAQMMA15F4222 had one COR throughout the task order's period of performance of September 2015 through October 2018. OIG interviewed the COR.

documentation missing included contractor-provided progress reports, documentation of acceptability or unacceptability of deliverables, documentation of the COR's on-site visits, copies of any memoranda regarding periodic performance affecting payment, copies of all invoices, and a payment register indicating the balance of funds remaining.

For one of the three task orders with missing documentation (Task Order SAQMMA15F4222), an FMS COR had destroyed most of the contract records in the COR file before the mandated 6-year retention period expired.³⁹ Furthermore, the FAH recommends that an electronic copy of the contract be kept on a shared drive for administrative ease and explains that doing so "is particularly important on programs where contract administration personnel rotate frequently."⁴⁰

The COR stated that he was preparing for retirement in the fourth quarter of FY 2018 and had destroyed hard-copy and electronic files even though the records should have been maintained for 6 years after final payment (in 2024). As a result, contract and task order documentation for much of the task order no longer existed in the COR file. OIG determined that this deficiency occurred, at least in part, because FMS management did not have effective internal controls to comply with record retention procedures. Retention of contract and task order records is critical to explain decisions made at each step during the acquisition, to support actions taken, to provide information for reviews and investigations, and to provide essential facts in the event of litigation. Moreover, by destroying the contract records in the COR file before the 6-year retention period, the COR jeopardized the Department's ability to defend itself with respect to decisions related to the task order.

The CORs who failed to establish and maintain the COR files provided no explanation except that they were focused on their facility maintenance duties. In addition, OIG inquired if the CO had reviewed the COR files in accordance with Department guidance,⁴¹ which requires the COR to provide the CO copies of all materials authored in administering the task order and to certify that the files were being maintained properly. The CORs stated that the CO had not. By not ensuring that COR files are complete and maintained properly and retained for the required 6 years, FMS is not well positioned to explain decisions made during the acquisition process, support actions taken to enforce compliance with contract terms and conditions, provide necessary information for audits and investigations, or provide essential facts in the event of litigation.⁴² In addition, incomplete COR files inhibit access to technical contract information and hinder the transition of oversight responsibilities when a new COR is assigned because that individual cannot draw on historical records to understand actions that occurred during the life of the contract.

³⁹ FAR 4.805, "Storage, Handling, and Contract Files."

⁴⁰ 14 FAH-2 H-573.3.

⁴¹ 14 FAH-2 H-517(b) and (c).

⁴² FAR 4.801(b), "General."

Absence of a Centralized Repository for COR Files

OIG determined that FMS COR files were insufficient primarily because FMS did not require the CORs to use eFiling⁴³ or establish procedures for the CORs to maintain contract and task order records in a centralized, organized manner. Furthermore, FMS had not established internal controls or guidance to prescribe how a departing COR should transfer supporting documentation on a task order to a replacement COR, including required timeframes for the transfer. As noted, the FAH⁴⁴ states that a COR's supervisor is responsible for ensuring the COR is maintaining contract files properly and verifying the status of COR contract files during a COR transition. FMS, however, does not have a mechanism to monitor or verify that the COR's supervisor is fulfilling these responsibilities. In addition, OPE's PIB 2014-10 identifies CO and COR responsibilities and requirements in several areas, including maintenance and transfer of contract and COR files. However, although required, the CO stated that he did not review COR files for any of the four task orders OIG reviewed.

According to the FAH,⁴⁵ CORs must maintain the following documents: the COR's letter of designation outlining the COR's duties and responsibilities, contractor-provided progress reports, documentation of acceptability/unacceptability of deliverables, documentation of the COR's on-site visits, copies of any memoranda regarding periodic performance affecting payment; copies of all invoices, a payment register indicating the balance of funds remaining, and the COR's final assessment of the contractor's performance. The Department developed an electronic filing system (e-Filing) for COs and CORs to use in order to facilitate COR file maintenance and the COs oversight of COR performance. The system allows users to review the many contract monitoring documents that CORs file in the system and confirm oversight of contractor performance. However, Department policy does not require CORs to use e-Filing. Instead, this is left to the discretion of individual COs, who can require its use, or individual CORs, who can request access from the CO to use it as their filing system.

Although the CO for each of the four task orders reviewed for this audit used eFiling,⁴⁶ CORs were not required by the CO or FMS to do so and instead some of the CORs haphazardly retained hard-copy contract and task order documents throughout FMS offices. For Task Order 19AQMM19F0023, the COR maintained electronic contract and task order documents that were organized and complete. However, for the other three task orders (Task Orders 19AQMM19F0022, SAQMMA16F3123, and SAQMMA15F4222) reviewed for this audit, some contract deliverables such as status and inspection reports and approved invoices, were not placed in centralized COR files. Instead, these materials were placed in multiple file cabinets and cardboard boxes throughout the FMS office. In one instance, the contract and task order records were stored in the office's restroom, which also served as a storage room. Had CORs

⁴³ COR eFiling is available within the Department's Integrated Logistics Management System for COs, contracting specialists, CORs, and program support staff to electronically compile all documentation required in COR files.

⁴⁴ 14 FAH-2 H-515(d), "Supervisor's Participation in Contract Administration."

⁴⁵ 14 FAH-2 H-517.

⁴⁶ COR eFiling is available within the Department's Integrated Logistics Management System for COs, contracting specialists, CORs, and program support staff to electronically compile all documentation required in COR files.

used a COR filing system consistently and had the CO conducted oversight by reviewing those documents filed by the CORs, many of the problems OIG identified during this audit may have not occurred.

In addition, when OIG asked CORs whether they were aware of guidelines for COR files and contract transfer responsibilities, all the CORs interviewed stated that they were unaware of any specific guidelines. Although PIB 2014-10 includes a checklist of mandatory documents that the COR must include in the COR File, PIB 2014-10 also encourages bureaus to note any special documentation requirements that may be unique to their programs. COs were ultimately responsible for ensuring that CORs maintained complete contract files; however, the CO did not always perform this function, as required. Specifically, AQM's COs and FMS management stated that they did not review the status of the electronic or hard-copy COR files to verify that the files included required documents or that the CORs received and reviewed all contract deliverables.

Properly maintaining and safeguarding contract and task order records is an important aspect of the Department's overall contract oversight efforts because the records document CO and COR activities and the evidence on which those individuals relied to monitor the contractors' performance and technical progress. OIG is therefore offering the following recommendations.

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement procedures to monitor and verify the completeness, accessibility, retention, and review of Contracting Officer's Representative files in accordance with Federal Acquisition Regulation 1.604(c) and the Foreign Affairs Handbook 14 FAH-2 H-142(b) and 14 FAH-2 H-517(a-b).

Management Response: FMS concurred with the recommendation, stating that it will require COR supervisors to review files routinely with further oversight from FMS. In addition, employee work commitments will require adherence to the FAR and 14 FAH-2H-142(b) and 14 FAH-2 H-517(a). The Bureau of Administration, Office of Operations, is also drafting a directive mandating that all Bureau of Administration, Office of Operations, offices use e-file, train their employees, adjust procedures as necessary, and load key documents into the system.

OIG Reply: On the basis of FMS's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that the Bureau of Administration has implemented procedures to monitor and verify the completeness, accessibility, retention, and review of COR files, in accordance with the FAR and the FAH.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officer's Representative files in accordance with Procurement Information Bulletin No. 2014-10.

Management Response: OPE concurred with the recommendation, stating that AQM is in the process “of the initial tranche of file reviews using a new COR file review checklist.” AQM expects to have completed checklists to share with OIG during the third quarter of FY 2020. However, OPE noted that OIG issued a similar recommendation in the *Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants*,⁴⁷ AUD-CGI-18-50, which was resolved. Therefore, OPE requested that the prior recommendation in the earlier audit be closed and compliance action continue under the subject report.

OIG Reply: OIG acknowledges the similarity of Recommendation 2 in this report and Recommendation 2 in OIG’s previous report, AUD-CGI-18-50. Because compliance actions are underway for report AUD-CGI-18-50, OIG is closing this recommendation and will continue to track the Department’s efforts to develop and implement procedures to verify that COs are monitoring COR files.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement (a) guidance that prescribes how a departing Contracting Officer’s Representative (COR) must transfer required supporting documentation for a task order to a replacement COR and how to verify that the transferred file is complete and all required documentation has been retained and (b) a mechanism that requires the supervisor of the COR to certify that the COR’s file was complete and correct following transfer, in accordance with the Federal Acquisition Regulation and Department of State guidance.

Management Response: FMS concurred with the recommendation, stating that it will “develop and issue guidance that prescribes how a departing COR must transfer required supporting documentation for a task order to his or her replacement and how to verify the transferred file is complete.” FMS will also “issue guidance to COR supervisors requiring them to ensure that their COR’s files are complete and correct after being transferred to the new COR.”

OIG Reply: On the basis of FMS’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that FMS implemented (a) guidance that prescribes how a departing COR must transfer required supporting documentation for a task order to his or her replacement and how to verify the transferred file is complete and all required documentation has been retained and (b) a mechanism that requires the supervisor of the COR to certify that the COR’s file was complete and correct following transfer in accordance with the FAR and Department.

Recommendation 4: OIG recommends that Bureau of Administration, Office of Operations, Office of Facilities Management Services, require Contracting Officer’s Representatives to

⁴⁷ OIG, AUD-CGI-18-50, August 2018.

use eFiling for all Bureau of Administration, Office of Operations, Office of Facilities Management Services, contracts and task orders.

Management Response: FMS concurred with the recommendation, stating that it has “instructed CORs to file all contract files on the [FMS] share drive, and to use the COR eFiling for service contracts and task orders. Management is in the process of arranging eFiling training for [FMS] CORs by the end of Quarter 2, FY 2020.”

OIG Reply: On the basis of FMS’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that FMS required the use of COR eFiling for all FMS contracts and task orders.

Monitoring of Contractor Performance Was Inconsistent and not Well Documented

According to the FAH, CORs should document review of process and status reports with an email or a memorandum to the CO and retain the emails or memoranda in the contract file.⁴⁸ In addition, the FAH states that the best method for monitoring the contractor’s work is through actual inspection, which the COR may perform by using spot checks, scheduled inspections of services performed by the contractor on a periodic basis, random sampling of routine services, use of contract monitoring and user reports, and periodic review of the contractor’s quality control program and reports.⁴⁹ In some cases, the contract will contain a quality assurance surveillance plan, which the COR will use to evaluate the quality of services or deliverables provided.⁵⁰

OIG found that the CORs’ monitoring of contractor performance for three of the four task orders (Task Orders 19AQMM19F0022, SAQMMA16F3123, and SAQMMA15F4222) was inconsistent and not well documented. Although the CORs stated that they were reviewing contract deliverables to make sure they were acceptable before authorizing invoices, evidence demonstrating that monitoring was performed in accordance Department guidance was limited. The CORs stated that most performance monitoring occurred through daily interaction and undocumented inspections. However, documentation such as daily and monthly inspection reports, logs and check sheets, and inspection and acceptance reports of completed reimbursable work authorizations are needed to confirm that such performance monitoring actually occurred. The CORs involved with these three task orders did not provide such documentation.

⁴⁸ 14 FAH-2 H-522.1(a), “Progress or Status Reports.”

⁴⁹ 14 FAH-2 H-522.1(b) and (c).

⁵⁰ 14 FAH-2 H-523(b), “Quality Assurance.”

Invoice Reviews Were Not Properly Documented

According to the FAH,⁵¹ the COR is responsible for reviewing and approving the contractor's invoices after adequately verifying the costs against supporting documentation. To determine whether the CORs obtained and reviewed sufficient documentation to support invoices, OIG reviewed a sample of invoices approved by the CORs in FY 2018 through the first three quarters of FY 2019. Specifically, OIG selected 35 invoices, valued at \$1,818,766, paid in FY 2018 through the first three quarters of FY 2019.⁵² OIG also interviewed the CORs to gain an understanding of their invoice review and approval process.

OIG found limited supporting documentation for the 35 invoices selected for review. In addition, OIG could not verify that some invoices were processed properly because the CORs for three of the four task orders reviewed (Task Orders 19AQMM19F0022, SAQMMA16F3123, and SAQMMA15F4222) did not maintain records of their invoice reviews. Furthermore, the CORs could not clearly explain how they reviewed invoices and 10 out of 35 invoices reviewed did not show a COR approval stamp. For example, the COR for one task order (Task Order SAQMMA16F3123) stated that he received daily timesheets for each employee and entered the hours worked into a spreadsheet. OIG reviewed the COR's spreadsheet to confirm that the hours recorded on the daily timesheets matched the hours recorded in the spreadsheet. The COR's spreadsheet was completed with hours for every day of the month and every position listed in the task order; however, the timesheets provided by the contractor as supporting documentation did not account for all the hours and positions recorded in the COR's spreadsheet. Specifically, the monthly hours recorded by the COR on the spreadsheet were the same for each month and were not based on the timesheets submitted by the contractor or other supporting documentation. Furthermore, OIG found that FMS did not have procedures guiding the review of various types of invoices. Similarly, FMS did not have procedures for obtaining and maintaining sufficient supporting documentation for the invoices containing items other than firm-fixed-price items. For example, no guidance existed regarding the requirement to confirm that labor hours billed were supported by contractor timesheets charged to the corresponding task order and that contractor-approved expenses were approved by the COR and attached to receipts.

Without documentary evidence that all invoice charges were reviewed and approved, the Department will not have reasonable assurance that Federal funds were being spent in accordance with contract terms, that the contract recipient performed required activities, or that the contract task orders were supporting FMS's mission, as intended. OIG is therefore offering the following recommendation.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement procedures for Contracting Officer's Representatives to (a) obtain and verify that supporting

⁵¹ 14 FAH-2 H-142(b)(15).

⁵² Appendix A: Purpose, Scope, and Methodology provides details on how the invoices were selected for review.

documentation submitted with an invoice is accurate and complete, (b) document their invoice review to demonstrate costs and supporting documentation were verified, and (c) confirm that labor hours billed are supported by contractor timesheets and charged to the corresponding task order.

Management Response: FMS concurred with the recommendation, stating that it will “develop and implement procedures for CORs to obtain and verify that supporting documents submitted with an invoice are accurate and complete.” FMS will also “ensure that CORs document their invoice review appropriately” and will “confirm that labor hours billed are supported by contractor timesheets and charged to the corresponding task order.”

OIG Reply: On the basis of FMS’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that FMS implemented procedures for CORs to (a) obtain and verify that supporting documentation submitted with an invoice is accurate and complete, (b) document their invoice review to demonstrate costs and supporting documentation was verified, and (c) confirm that labor hours billed are supported by contractor timesheets and charged to the corresponding task order.

Lack of Quality Assurance Surveillance Plans

The purpose of contract surveillance is to monitor contractor performance to ensure the goods or services received comply with contract quality requirements. Active contract oversight allows the Department to address deficiencies before serious performance issues arise. A well-constructed quality assurance plan is the framework to ensure that contractor performance is routinely monitored, inspected, and documented. According to the FAR, the quality assurance surveillance plans (QASP) should be prepared in conjunction with the contract’s performance work statement and contracting offices must ensure that quality assurance plans are prepared when acquiring services.⁵³ The FAR requires performance-based service contracts to include both measurable performance standards and a method of assessing contractor performance against those standards.⁵⁴ Furthermore, the FAH states that the QASP should set the U.S. Government’s performance expectations—specifically, standards and acceptable quality levels for outcomes or tasks, how often deliverables or services will be monitored and evaluated, and whether any incentives regarding performance are positive or negative.⁵⁵ Finally, the FAH states that the COR “is responsible for developing quality assurance procedures, verifying whether the supplies or services conform to the contract’s quality requirements, and maintaining quality assurance records.”⁵⁶ QASPs also assist with the transition from one COR to another by providing the incoming COR with a record of the activities that were performed by

⁵³ FAR 46.401(a) and FAR 46.103, “Contracting Office Responsibilities.”

⁵⁴ FAR 37.601(b)(2), “Performance-Based Acquisition.”

⁵⁵ 14 FAH-2 H-341.2-4(B)(b), “Inspection and Acceptance.”

⁵⁶ 14 FAH-2 H-523.

the preceding COR and ensuring that the incoming COR will better understand the oversight activities that should be performed.

OIG found that, for the four task orders reviewed, the QASPs had not been properly developed to assist CORs in monitoring contractor performance. Task orders reviewed contained no language that mentioned options rather than requirements for monitoring contractor performance. Moreover, the suggested quality assurance surveillance methods were vague and did not incorporate detailed requirements from the statement of work so that CORs could fully assess the extent to which contractor performance was timely, effective, and delivered as expected. This occurred, in part, because FMS had not established specific procedures that ensured a QASP was developed and executed in accordance with the FAR and Department guidance. Without an adequate QASP, the contractor may not know performance expectations or what criterion is being used to assess performance. In addition, the CORs will not have an established methodology to monitor and evaluate contractor performance to ensure the objectives of the task order are fulfilled and to hold the contractor accountable for nonperformance. OIG is therefore offering the following recommendation.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures for Contracting Officers to develop appropriate quality assurance surveillance plans for all facilities management service contracts and for Contracting Officer's Representatives to execute quality assurance surveillance plans in accordance with the Federal Acquisition Regulation and Department of State guidance.

Management Response: FMS concurred with the recommendation, stating that it will "coordinate with AQM to develop and implement procedures for COs to develop QASPs for all facilities management service contracts and for CORs to execute quality surveillance plans."

OPE stated that the recommendation is similar to one issued by OIG in the *Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants*, AUD-CGI-18-50.⁵⁷ Therefore, OPE requested OIG to transfer the responsibility for the recommendation to AQM "given a solution continues to be developed and implemented in a centralized fashion." In addition, OPE requested OIG to close the recommendation from the prior report.

OIG Reply: On the basis of FMS's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that FMS implemented procedures for COs to develop appropriate QASPs for all facilities management service contracts and for CORs to execute QASPs in accordance with the FAR and Department guidance.

⁵⁷ AUD-CGI-18-50.

With respect to OPE's request to close Recommendation 4 from OIG's report AUD-CGI-18-50, OIG does not agree that the current recommendation addresses the same issues as Recommendation 4 from OIG's previous report, AUD-CGI-18-50. Recommendation 4 in the previous report suggested that AQM develop and implement a *monitoring* strategy and associated procedures to verify that COs and CORs comply with QASP requirements. The recommendation offered in this report asks FMS to develop and implement internal procedures to develop QASPs. That is, the earlier report addresses the need to oversee compliance with QASPs, but the current report addresses the need to develop and implement effective QASPs in the first place. As noted in the finding of this report, OIG believes this is an important control to improve management and oversight of FMS contracts. As to the request to transfer responsibility for the recommendation, OIG agrees that this FMS effort should be performed in concert with AQM, but the intent of this recommendation is substantially different and specific to FMS. OIG accordingly disagrees with the transfer request. Therefore, OIG is not closing the previous recommendation and will continue to track both this recommendation and Recommendation 4 from OIG's report AUD-CGI-18-50 during the audit compliance process.

Contracting Officers and FMS Management Did Not Consistently Communicate Specific Contracting Officer's Representative Responsibilities

GAO requires management to internally communicate necessary quality information to achieve the entity's objectives.⁵⁸ When communicating quality information to achieve the entity's objective, management should consider communicating sufficient information to allow "personnel to perform key roles in achieving objectives . . . and supporting the internal control system. In these communications, management assigns the internal control responsibilities for key roles."⁵⁹ In addition, the FAH states that if the CO approves "the technical qualifications and the certification status of the nominee," the CO "prepares a designation memorandum that outlines the scope of the COR's authority . . . including duties, responsibilities, and prohibitions."⁶⁰ The COR's responsibilities vary depending on the type of contract and complexity of the acquisition. Each contract must be treated individually to account for unique COR responsibilities. The designation memorandum must identify the COR's specific duties and responsibilities, such as monitoring and documenting contractor performance and reviewing contractor invoices. Although certain elements may be the same in every designation memorandum, COs should tailor the memorandum overall, as appropriate. The FAH further requires that CORs who perform contract administration and oversight duties that consist of "at least 25 percent of their workload must have work commitments that reflect COR responsibilities."⁶¹ The FAH provides several examples of work commitments that may be modified as necessary to reflect the individual COR assignment.

⁵⁸ GAO-14-704G, § 14.01, "Principle 14 – Communicate Internally."

⁵⁹ GAO-14-704G, § 14.03, "Communication throughout the Entity."

⁶⁰ 14 FAH-2 H-143.2(a)(2).

⁶¹ 14 FAH-2 H-114(a).

OIG found that the CO and FMS management did not consistently communicate internal control responsibilities to the CORs. Specifically, the COR designation memorandum provided by the CO was not tailored to the task order assigned and did not provide specific instructions as to how the COR was to fulfill the contract oversight role. For example, the four designation memoranda provided by the CO for the task orders reviewed for this audit were nearly identical and essentially repeated the designation memorandum that was included in the FAH as a sample COR nomination letter.⁶² Accordingly, the COR designation memoranda provided by the CO did not provide the CORs with instructions specific to the task orders assigned and did not identify all required contractual information, such as deliverables unique to each task order. Furthermore, the COR designation memoranda did not contain any specific instructions by the CO on how the CORs were to perform invoice reviews.

In addition, OIG found that FMS did not consistently establish work commitments for the CORs or seek feedback from the CO to effectively hold CORs accountable for their oversight duties when completing employee performance reviews and ratings. In some instances, work commitments did not sufficiently include the COR responsibilities or duties or include standard language suggested by the FAH.⁶³ For example, the FAH states that contract oversight activities conducted by the COR include; processing invoices within 7 days of receipt or in accordance with contract timelines; maintaining traceability of oversight through properly documented files that are compliant with agency standards and regulations in order to provide the CO and succeeding CORs an accurate history of contract implementation; and inspecting, accepting, or rejecting deliverables during contract performance and at closeout, in compliance with contract terms and conditions. The FAH also states that the standard language may be modified as necessary to reflect specific requirements of an individual COR assignment. OIG reviewed work commitments for the four FMS employees serving as CORs and found that the COR for Task Order SAQMMA15F4222 did not have COR duties included in the work commitments. In addition, the work commitments for the CORs assigned to Task Orders 19AQMM19F0023, 19AQMM19F0022, and SAQMMA16F3123 were general in nature and did not reflect specific requirements or the complexity of the COR duties and did not include the standard language suggested by the FAH.⁶⁴

COR designation memoranda are critical to communicate specific oversight responsibilities and to ensure the designated COR fully understands the expectations of the CO and is properly empowered to oversee the task order and help hold the contractor accountable for performance. Similarly, to hold CORs accountable for their oversight duties, performance expectations must be included in the CORs' employee work commitments and periodically evaluated and discussed with the CORs. The performance results of the CORs' work commitments should be included in their annual performance evaluations and ratings. OIG is therefore offering the following recommendations.

⁶² 14 FAH-2 Exhibit H-143.2.2(2), "Sample Nomination Letter for Contracting Officer's Representative."

⁶³ 14 FAH-2 H-114(b).

⁶⁴ Ibid.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement a communication strategy to emphasize Contracting Officers' responsibilities to tailor designation memoranda, as necessary, to identify specific duties, responsibilities, and limitations for each contract or task order administered.

Management Response: OPE concurred with the recommendation, stating that "AQM is currently working with [the Bureau of Administration, Office of Executive Director, Information Technology Services Division] to modernize the COR and CO databases along with fixing the nomination, delegation, and administrative filing of these documents into a new application. The deployment of the final product is anticipated to be March 31, 2021. The deployment of and training on the tool will constitute the communication strategy to address how to identify specific duties, responsibilities, and limitations for each contract or task order. In addition, AQM will update its internal policy to coincide with the launch of the tool." OPE noted that a recommendation OIG issued another recommendation, which OPE described as "similar," in the *Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants*,⁶⁵ AUD-CGI-18-50, which was resolved. OPE requested that the prior recommendation be closed and compliance action continue under the subject report.

OIG Reply: On the basis of OPE's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that AQM implemented a communication strategy to emphasize COs' responsibilities to tailor designation memoranda, as necessary, to identify specific duties, responsibilities, and limitations for each contract or task order administered.

With respect to OPE's request to close the recommendation from a previous report, OIG does not agree that this recommendation is the same as or even necessarily similar to Recommendation 8 from OIG's report AUD-CGI-18-50. Recommendation 8 from AUD-CGI-18-50 encourages AQM to develop and implement a monitoring strategy to verify that CORs and other procurement officials are designated in writing and that designation memoranda are specific to the task order. The current recommendation asks OPE, in coordination with AQM, to develop and implement a communication strategy to ensure that officials maintain awareness of the need to make designation memoranda specific to a task order. A communication strategy *could* be developed in concert with procedures to verify that formal delegations are prepared. However, the intent of two recommendations is substantially different, and compliance with one does not necessarily lead to compliance with the other. Therefore, OIG is not closing the previous recommendation and will continue to track both this recommendation and Recommendation 8 from OIG's report AUD-CGI-18-50 during the audit compliance process.

⁶⁵ AUD-CGI-18-50.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement procedures requiring supervisors of Contracting Officer's Representatives (COR) to update work commitments to reflect COR responsibilities in accordance with the Foreign Affairs Handbook, 14 FAH-2 H-114; obtain formal feedback from Contracting Officers regarding employee performance; and incorporate this feedback into the COR's annual performance evaluation and rating.

Management Response: FMS concurred with the recommendation, stating that it has "instructed supervisors to ensure that their CORs' work commitments include their COR responsibilities, using appropriate language from the FAH; to follow instructions found in 14 FAH-2H-114 to obtain formal feedback from [COs] regarding employee performance; and to incorporate this feedback into the COR's annual performance evaluation and rating."

OIG Reply: On the basis of FMS's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that FMS implemented procedures requiring a COR's supervisor to update work commitments to reflect COR responsibilities in accordance with the FAH, obtain formal feedback from COs regarding employee performance, and incorporate this feedback into the COR's annual performance evaluation and rating.

The Option Year for One Task Order Was Exercised After the Prior Option Year Ended

AQM Memorandum 15-10⁶⁶ explains preparing the acquisition plan is a multi-party effort and the contracting staff or program/project manager will coordinate with personnel responsible for significant aspects of the plan. The memorandum also explains the acquisition plan will be signed by the CO and the program manager and the CO will review the plan annually with the COR or program manager and update as appropriate. Normally, this review will be part of the decision making to exercise options and before notice of intent to exercise option is issued in accordance with contract terms, which enables tracking of expiration dates and planning for subsequent acquisitions to take place in a timely manner.

During a previous evaluation of expired FMS contracts, OIG reported⁶⁷ that AQM issued multiple extensions for FMS contracts after the period of performance for those contracts had

⁶⁶ AQM Memorandum 15-10, "Acquisition Plans" (March 18, 2015).

⁶⁷ AUD-CGI-19-12, December 2018.

expired by “misusing” FAR clauses 6.302-2,⁶⁸ 43.103(a)(3),⁶⁹ 52.217-8,⁷⁰ and 52.237-3.⁷¹ In addition, OPE had not approved the extensions, as required by the DOSAR.⁷² The period of performance for some of the contracts was extended more than 2 years after the original period of performance had expired. For example, the Functional Bureau Support Branch identified at least five contracts that were extended multiple times, using short extensions for 6 months at a time, without competition for a total of approximately 2 years beyond the original contract term. In addition, because FMS and AQM did not establish an acquisition plan, as required by the DOSAR, FMS’s expired contracts required extensions to avoid any service lapses.

To address the contract deficiencies identified in OIG’s December 2018 report, FMS developed and moved forward with an acquisition plan for services covered by the expiring FMS contracts. In addition, AQM embedded a CO in FMS so the CO could dedicate full attention to the FMS portfolio of contracts and communicate more effectively with FMS and the CORs. Furthermore, AQM conveyed to its contracting staff the importance of acquisition planning and reminded them of AQM’s guidance related to acquisition planning.

During this audit, OIG discovered that the option year for a task order selected for review (Task Order SAQMMA16F3123) was exercised almost a month after the prior option period had ended. The CO told OIG that he was not aware that the task order option year needed to be exercised and stated that it was the COR’s responsibility to communicate that information. OIG determined that this situation occurred, in part, because FMS did not establish requirements, timeframes, and expectations of oversight of the acquisition planning process. In addition, communication between the CO and COR was inadequate for the option year to be exercised in a timely manner.

Although AQM has an acquisition plan policy directed to AQM personnel that identifies who is responsible for significant aspects of the acquisition plan and timeframe for acquisition planning, FMS does not. FMS has not established policies that set requirements, timeframes, and levels of oversight for acquisition planning to obtain approvals of key acquisition planning

⁶⁸ FAR 6.302-2, “Unusual and compelling urgency,” states, “When the agency’s need for the supplies or services is of such an unusual and compelling urgency that the Government would be seriously injured unless the agency is permitted to limit the number of sources from which it solicits bids or proposals, full and open competition is not required.”

⁶⁹ FAR 43.103(a)(3), “Type of contract modifications,” states, “A bilateral modification is a contract modification (supplemental agreement) that is signed by the contractor and the Contracting Officer.” “Bilateral modifications are used to reflect other agreements of the parties modifying the terms of contracts.”

⁷⁰ FAR 52.217-8, “Option to Extend Services,” states, “The option provision may be exercised more than once, but the total extension of performance under this provision shall not exceed 6 months.”

⁷¹ FAR 52.237-3, “Continuity of Services,” states, “The Contractor shall, upon the Contracting Officer’s written notice, (1) furnish phase-in, phase-out services for up to 90 days after the contract in question expires and (2) negotiate in good faith a plan with a successor to determine the nature and extent of phase-in, phase-out services required.”

⁷² DOSAR 617.204(e), “Contracts,” states that OPE approval is required before extending any contract beyond a 5-year term.

documents—which serve as the foundation for the acquisition process—or to finalize these documents in collaboration with the contracting office. In addition, even though AQM imbedded a CO in FMS, communication was lacking between the CORs and the CO.

Without coordination and communication between the CO and the COR, the risk increases that lapses in contracts will continue. It is imperative that the COR and the CO stay in close communication, relaying any information that may affect contractual commitments and requirements. Without using the acquisition planning process to the fullest extent possible, it is difficult to develop a strong foundation for contracts.⁷³ In addition, lack of proper contract administration can result in continuous contract extensions without adequate competition, placing the Department at risk that it may receive services that cost more than anticipated, are delivered late, and are of unacceptable quality. OIG is therefore offering the following recommendations.

Recommendation 9: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures that prescribe who is responsible for significant aspects of the acquisition plan including requirements, timeframes, and levels of oversight for acquisition planning in the administration of Facilities Management Services contracts.

Management Response: FMS concurred with the recommendation, stating that, in coordination with AQM, “CORs will work with COs to ensure the requirements of 14 FAH-2 are satisfied, to include the formation of a formal acquisition.”

OIG Reply: On the basis of FMS’s concurrence with the recommendation and planned actions, OIG considers this recommendation resolved, pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that FMS implemented procedures that prescribe who is responsible for significant aspects of the acquisition plan, including requirements, timeframes, and levels of oversight for acquisition planning in the administration of FMS contracts.

⁷³ Developing and obtaining approvals of key acquisition planning documents, including statements of work, cost estimates, and written acquisition plans, serves as the foundation for contracts.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement procedures to monitor and verify the completeness, accessibility, retention, and review of Contracting Officer's Representative files in accordance with Federal Acquisition Regulation 1.604(c) and the Foreign Affairs Handbook 14 FAH-2 H-142(b) and 14 FAH-2 H-517(a-b).

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officer's Representative files in accordance with Procurement Information Bulletin No. 2014-10.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement (a) guidance that prescribes how a departing Contracting Officer's Representative (COR) must transfer required supporting documentation for a task order to a replacement COR and how to verify that the transferred file is complete and all required documentation has been retained and (b) a mechanism that requires the supervisor of the COR to certify that the COR's file was complete and correct following transfer, in accordance with the Federal Acquisition Regulation and Department of State guidance.

Recommendation 4: OIG recommends that Bureau of Administration, Office of Operations, Office of Facilities Management Services, require Contracting Officer's Representatives to use eFiling for all Bureau of Administration, Office of Operations, Office of Facilities Management Services, contracts and task orders.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement procedures for Contracting Officer's Representatives to (a) obtain and verify that supporting documentation submitted with an invoice is accurate and complete, (b) document their invoice review to demonstrate costs and supporting documentation were verified, and (c) confirm that labor hours billed are supported by contractor timesheets and charged to the corresponding task order.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures for Contracting Officers to develop appropriate quality assurance surveillance plans for all facilities management service contracts and for Contracting Officer's Representatives to execute quality assurance surveillance plans in accordance with the Federal Acquisition Regulation and Department of State guidance.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement a communication strategy to emphasize Contracting Officers' responsibilities to tailor designation

memoranda, as necessary, to identify specific duties, responsibilities, and limitations for each contract or task order administered.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, develop and implement procedures requiring supervisors of Contracting Officer's Representatives (COR) to update work commitments to reflect COR responsibilities in accordance with the Foreign Affairs Handbook, 14 FAH-2 H-114; obtain formal feedback from Contracting Officers regarding employee performance; and incorporate this feedback into the COR's annual performance evaluation and rating.

Recommendation 9: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures that prescribe who is responsible for significant aspects of the acquisition plan including requirements, timeframes, and levels of oversight for acquisition planning in the administration of Facilities Management Services contracts.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this audit to determine whether the Bureau of Administration, Office of Operations, Office of Facilities Management Services (FMS), administered and oversaw domestic FMS contracts, in accordance with the Federal Acquisition Regulation (FAR) and Department of State (Department) policies and guidance.

OIG conducted fieldwork for this audit from February to September 2019. Audit work was performed in the Washington, DC, metropolitan area and Portsmouth, NH. OIG conducted this performance audit in accordance with generally accepted government auditing standards.¹ These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions presented in this report.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations as well as Department policies and procedures. Specifically, OIG reviewed the FAR, the Foreign Affairs Manual, the Foreign Affairs Handbook, the Department of State Acquisition Regulation, and applicable Procurement Information Bulletins.

To determine whether FMS administered and oversaw domestic FMS contracts, in accordance with the FAR and Department policies and guidance, OIG interviewed Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), officials, FMS officials, Contracting Officers, and Contracting Officer's Representatives (COR). Additionally, OIG reviewed and analyzed selected FMS contracts and modifications to the contracts and associated task orders, applicable contract documentation, and COR files.

Prior Reports

In December 2018, OIG published an information report that validated an assessment performed by the Function Bureau Support Branch in AQM's Worldwide Division. This assessment identified improper contract administration practices involving FMS contracts. The report *Information Report: The Bureau of Administration Took Action To Address Office of Facilities Management Services Contracts*² addressed issues AQM officials self-identified concerning acquisition planning, the "misuse" of the FAR clauses for contract extensions, disregard for the Department of State Acquisition Regulation, and inadequate contract administration associated with 15 FMS contracts.

OIG concluded that acquisition planning was indeed lacking and that FMS contracts had been improperly extended multiple times because FAR clauses had been misused and the Bureau of Administration, Office of the Procurement Executive, had not approved extensions, as required

¹ Government Accountability Office, *Government Auditing Standards* (GAO-12-331G, December 2011).

² OIG, *Information Report: The Bureau of Administration Took Action To Address Office of Facilities Management Services Contracts* (AUD-CGI-19-12, December 2018).

by the Department of State Acquisition Regulation.³ Although OIG was engaged in the FMS contracts evaluation, AQM was in the process of remediating the contract administration deficiencies AQM officials had self-identified.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG reviewed four contracts, associated task orders, and COR files to determine whether AQM personnel and FMS CORs had appropriately administered and monitored the contracts. In addition, OIG reviewed acquisition plans and contract extensions to determine compliance with the FAR and Department regulations for developing acquisition plans and extending contracts. Weaknesses in internal controls identified by OIG are presented in the Audit Results section of this report.

Use of Computer-Processed Data

OIG used data obtained from non-automated sources provided by AQM to identify the universe of active FMS contracts in FY 2018 and the universe of active FMS contracts in the first quarter of FY 2019. To assess the completeness of the universe of active FMS contracts in FY 2018, OIG used computer-processed general ledger data from the Global Financial Management System and compared the data with the original data provided by AQM. To assess the completeness of the universe of active FMS contracts in the first quarter of FY 2019, OIG used non-automated data provided by AQM for FY 2018 and verified that contracts still active as of September 30, 2018, had been carried over to FY 2019 and that contracts that ended in FY 2018, or were consolidated under a new contract, had not been carried over to FY 2019. OIG did not find any material discrepancies and concluded that the data were sufficiently reliable to meet the objectives of this audit.

Detailed Sampling Methodology

To determine the extent to which FMS administered FMS contracts in accordance with the FAR and Department regulations and guidance, OIG selected four contracts and associated task orders for review. To determine whether invoices complied with contract terms and conditions and whether the CORs approved invoices were supported with adequate documentation, OIG selected 35 invoices for review.

Contract Selection Methodology

The goal in the selection process for contracts was to select one group of contracts that were active in FY 2018 and one group of contracts that became active in the first quarter of FY 2019. The audit team determined the selection criteria to be that the contracts have a value greater than \$10 million. The audit team determined that contracts with a value of less than \$10 million would not have as much impact or value in the audit report, findings, and recommendations as

³ OIG selected 5 of the 15 FMS contracts to validate the conclusions reached by AQM officials.

would contracts valued at more than \$10 million. OIG selected a target of four contracts and an associated task order for each contract to obtain evidence to support the audit objective.

Using the dollar criteria, OIG scoped the FY 2018 universe down to two FMS contracts. The 2 contracts, valued at \$98,797,165, came from the universe of 30 active FY 2018 FMS contracts with a total value of \$256,803,947. Separately, using the dollar criteria, OIG scoped the first quarter FY 2019 universe down to two FMS contracts. The 2 contracts, valued at \$450 million, came from the universe of 15 active first quarter FY 2019 FMS contracts with a total value of \$574,426,702. Details of the selected contracts are shown in Tables A.1 and A.2.

Task Order Selection Methodology

The audit team determined the selection criteria of the task orders to be one task order for each of the four selected contracts. Using these criteria, OIG selected task orders associated with the four selected contracts to review. Specifically, OIG reviewed the overall task order values for the four selected FMS contracts and selected the highest overall task order value for each of the four selected contracts.⁴ Details of the selected task orders are shown in Tables A.1 and A.2.

Table A.1: Active FY 2018 Select Contracts and Associated Task Orders

Contractor and Contract Number	Contract Not-to- Exceed Amount	Task Order Number	Task Order Not- to-Exceed Amount	Task Order Expiration
Quality Elevator Company, Inc. SAQMMA16D0126	\$10,697,165	SAQMMA16F3123	\$10,697,165	7/2021*
EMCOR Group, Inc. SAQMMA11D0079	\$88,100,000	SAQMMA15F4222	\$59,500,000	10/2018
Total	\$98,797,165		\$70,197,165	

*Task order also active in FY 2019.

Source: Generated by OIG from contract data provided by AQM.

⁴ Selected contracts were indefinite-delivery, indefinite-quantity contracts in which each contract has multiple task orders issued to specify the exact delivery times and quantities and to provide funding for the task.

Table A.2: Active First Quarter FY 2019 Select Contracts and Associated Task Orders

Contractor and Contact Number	Contract Not-to-Exceed Amount	Task Order Number	Task Order Not-to-Exceed Amount	Task Order Expiration
Tatitlek Technologies, Inc. – 19AQMM18D0118	\$250 million	19AQMM19F0022	\$52,845,435	8/2021
PacArctic, LLC – 19AQMM18D0117	\$200 million	19AQMM19F0023	\$28,883,388	8/2022
Total	\$450,000,000		\$81,728,823	

Source: Generated by OIG from contract data provided by AQM.

Invoice Selection Methodology

OIG reviewed the invoices to determine whether all required elements required by the FAR⁵ and by the task orders' invoicing instructions were included as part of the invoices, were properly approved, and were supported by documentation. The four selected task orders (Task Orders 19AQMM19F12870022, 19AQMM19F0023, SAQMMA16F3123, and SAQMMA15F4222), had a total of 229 invoices, valued at \$28,756,760. OIG selected a target of 35 invoices paid in FY 2018 through the first 3 quarters of FY 2019. Table A.3 provides details of the number and value of invoices selected for review. Each section following Table A.3 describes the selection methodology for each task order.

Table A.3: Invoice Selection

Contractor and Task Order	Number of Invoices Reviewed	Invoice Value Reviewed
Tatitlek Technologies, Inc. – 19AQMM19F0022	11	\$128,807
PacArctic, LLC – 19AQMM19F0023	5	24,307
Quality Elevator Co., INC. – SAQMMA16F3123	9	1,589,054
EMCOR Government Services, INC. – SAQMMA15F4222	10	76,598
Total	35	\$1,818,766

Source: Generated by OIG from data obtained from the Department's Global Financial Management System.

Task Order 19AQMM19F0022 (Tatitlek Technologies, Inc.)

OIG identified the universe as 35 invoices, totaling approximately \$9,640,616, as paid by FMS in the first 3 quarters of FY 2019. To select invoices for review, OIG eliminated eight monthly firm-fixed-price invoices and six invoices that were rejected or not paid from the universe. The eight were eliminated because firm-fixed-price items provide for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract and for which

⁵ FAR 32.905, "Payment documentation process."

few documents are required to support the invoice charges. Then, from a target universe of 21 invoices, OIG selected a random sample of 11 invoices, totaling approximately \$128,807, for review using the random sample generator in Microsoft Excel.

Task Order 19AQMM19F0023 (PacArctic, LLC)

OIG identified the universe as 20 invoices, totaling approximately \$2,706,387, paid by FMS in the first 3 quarters of FY 2019. To select invoices for review, OIG eliminated eight monthly firm-fixed-price invoices and three invoices that were not paid from the universe. The eight were eliminated because firm-fixed-price items provide for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract and for which few documents are required to support the invoice charges. From a target universe of nine invoices, OIG selected a random sample of five invoices, totaling approximately \$24,307, for review using the random sample generator in Microsoft Excel.

Task Order SAQMMA16F3123 (Quality Elevator Co., Inc.)

OIG identified the universe as 72 invoices, totaling approximately \$5,350,738, paid by FMS in FY 2018 through the first 3 quarters of FY 2019. To select invoices for review, OIG eliminated 15 monthly firm-fixed-price invoices and 18 invoices that were rejected or not paid from the universe. The 15 were eliminated because firm-fixed-price items provide for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract and for which few documents are required to support the invoice charges. From a target universe of 39 invoices, OIG selected a random sample of 9 invoices, totaling approximately \$1,589,054, for review using the random sample generator in Microsoft Excel.

Task Order SAQMMA15F4222 (EMCOR Government Services, Inc.)

OIG identified the universe as 102 invoices, totaling approximately \$11,059,019, paid by FMS in FY 2018 through the first 3 quarters of FY 2019. To select invoices for review, OIG eliminated 13 monthly firm-fixed-price invoices from the universe. The 13 were eliminated because firm-fixed-price items provide for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract and for which few documents are required to support the invoice charges. From a target universe of 89 invoices, OIG selected a random sample of 10 invoices, totaling approximately \$76,598, for review using the random sample generator in Microsoft Excel.

APPENDIX B: BUREAU OF ADMINISTRATION, OFFICE OF OPERATIONS, OFFICE OF FACILITIES MANAGEMENT SERVICES, RESPONSE



United States Department of State

Washington, D.C. 20520

February 19, 2020

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MEMORANDUM

TO: OIG/AUD/CG – Norman P. Brown

FROM: A/OPR – Keith D. Hanigan *KDH*

SUBJECT: Audit of Selected Bureau of Administration, Office of Operations, Office of Facilities Management Services Contracts (AUD-CGI-20-XX)

(U) The Bureau of Administration was tasked with providing comments on the draft report and information on actions taken or planned for recommendations in it. Byron Crenshaw of the Office of Facilities Management Services (A/OPR/FMS) is the point of contact on recommendations 1, 3, 4, 5, 6, 8, and 9 and can be reached at (202) 647 5176. Per the OIG's February 5, 2020 memo to Assistant Secretary Cabelka, A/OPR provides the following comments on the draft report and recommendations:

Recommendations:

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services develop and implement procedures to monitor and verify the completeness, accessibility, retention, and review of Contracting Officer's Representative files in accordance with Federal Acquisition Regulation 1.604(c) and the Foreign Affairs Handbook 14 FAH-2 H-142(b) and 14 FAH-2 H-517(a-b).

Response: (U) A/OPR/FMS agrees with the recommendation. A/OPR/FMS will require Contracting Officer Representative (COR) supervisors to review files routinely with further oversight from the A/OPR/FMS Central Resources Division. Employee work commitments statements will require adherence to the Federal Acquisition Regulation and 14 FAH-2H-142(b) and 14 FAH-2 H-517(a). In addition, the Office of the Procurement Executive (A/OPE) is in the process of developing an e-file mandate for Contracting Officer (CO) and COR files, and is targeting to issue the mandate no later than end of Quarter 2, Fiscal Year (FY) 2020. The e-file mandate will assist program offices and A/OPE/AQM CO's to monitor and verify the completeness, accessibility, retention, and review of COR files. The Office of Operations (A/OPR) is also drafting a directive mandating that all A/OPR offices utilize e-file, with 90 days to train their people, adjust procedures as necessary, and get key documents loaded into the system from the date of issuance.

Recommendation 3: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services develop and implement (a) guidance that prescribes how a departing Contracting Officer's Representative (COR) must transfer required supporting

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documentation for a task order to his or her replacement and how to verify that the transferred file is complete and all required documentation has been retained and (b) a mechanism that requires the supervisor of the COR to certify that the COR's file was complete and correct following transfer in accordance with the Federal Acquisition Regulation and Department of State guidance.

Response: (U) A/OPR/FMS agrees with the recommendation 3. A/OPR/FMS will develop and issue guidance that prescribes how a departing COR must transfer required supporting documentation for a task order to his or her replacement and how to verify the transferred file is complete. A/OPR/FMS will also issue guidance to COR supervisors requiring them to ensure that their COR's files are complete and correct after being transferred to the new COR. In addition, A/OPE notes the enterprise e-Filing solution provides the specified functionality, and that the solution provides effective contract file inventory control and documentation standards while allowing for ready accessibility through a central locator system.

Recommendation 4: OIG recommends that Bureau of Administration, Office of Operations, Office of Facilities Management Services require the use of Contracting Officer's Representative eFiling for all Bureau of Administration, Office of Operations, Office of Facilities Management Services contracts and task orders.

Response: (U) A/OPR/FMS agrees with this recommendation and has instructed CORs to file all contract files on the A/OPR/FMS share drive, and to use the COR eFiling for service contracts and task orders. Management is in the process of arranging eFiling training for A/OPR/FMS CORs by the end of Quarter 2, FY 2020. As stated under Recommendation 1, A/OPE is also in process of developing an e-file mandate for CO and COR files, and is targeting to issue the mandate no later than end of Quarter 2, FY 2020. As stated under Recommendation 1, A/OPR is drafting a directive mandating that all A/OPR offices utilize e-Filing, with 90 days to train their people, adjust procedures as necessary, and get key documents loaded into the system from the date of issuance.

Recommendation 5: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services develop and implement procedures for Contracting Officer's Representatives to (a) obtain and verify that supporting documentation submitted with an invoice is accurate and complete, (b), document their invoice review to demonstrate costs and supporting documentation was verified, and (c) confirm that labor hours billed are supported by contractor timesheets and charged to the corresponding task order.

Response: (U) A/OPR/FMS agrees with the recommendation. A/OPR/FMS will develop and implement procedures for CORs to obtain and verify that supporting documents submitted with an invoice are accurate and complete. A/OPR/FMS will also ensure that CORs document their invoice review appropriately. A/OPR/FMS will confirm that labor hours billed are supported by contractor timesheets and charged to the corresponding task order.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and

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implement procedures for Contracting Officers to develop appropriate quality assurance surveillance plans (QASP) for all facilities management service contracts and for Contracting Officer's Representatives to execute quality assurance surveillance plans in accordance with the Federal Acquisition Regulation and Department of State guidance.

Response: (U) A/OPR/FMS agrees with the recommendation. A/OPR/FMS will coordinate with A/OPE/AQM to develop and implement procedures for COs to develop QASPs for all facilities management service contracts and for CORs to execute quality surveillance plans in accordance with the FAR and State Department guidance.

Recommendation 8: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services develop and implement procedures requiring supervisors of Contracting Officer's Representatives (COR) to update work commitments to reflect COR responsibilities in accordance with the Foreign Affairs Handbook, 14 FAH-2 H-114; obtain formal feedback from Contracting Officers regarding employee performance; and incorporate this feedback into the COR's annual performance evaluation and rating.

Response: (U) A/OPR/FMS agrees with this recommendation and has instructed supervisors to ensure that their CORs' work commitments include their COR responsibilities, using appropriate language from the FAH; to follow instructions found in 14 FAH-2 H-114 to obtain formal feedback from CO's regarding employee performance; and to incorporate this feedback into the COR's annual performance evaluation and rating.

Recommendation 9: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures that prescribes who is responsible for significant aspects of the acquisition plan including requirements, timeframes, and levels of oversight for acquisition planning in the administration of Facilities Management Services contracts.

Response: (U) A/OPR/FMS agrees with the recommendation. In coordination with A/OPE/AQM, CORs will work with COs to ensure the requirements of 14 FAH-2 are satisfied, to include the formation of a formal acquisition plan via the AQM app in Service Now. A/OPE notes an Acquisition Planning tool developed by A/OPE is currently in pilot testing with select offices. The tool may be accessed at <https://myapps.service-now.com/aqm>. The tool is an enterprise solution for ensuring significant aspects of acquisition planning are defined, accepted and completed.

cc: A Front Office Special Assistants
A/EX/CSM – Joe McGuire
A/EX/CSM
OIG/AUD – Denise M. Colchin

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Approved by: A/OPR – Keith D. Hannigan, Deputy Assistant Secretary

Drafter: A/OPR/FMS – Byron Crenshaw at Ext. 7-5176

Clearances:

A/OPR/FMS – Russell Thomason – (ok)

A/EX/CSM – Joseph McGuire (ok)

A/OPR – Marjorie Lawrence – (ok)

A/OPR – Deborah Schneider – (ok)

Λ – Ray McGrath (ok)

A/OPE – Matt Colantonio (ok)

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APPENDIX C: BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE, RESPONSE



United States Department of State

Washington, D.C. 20520

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February 20, 2020

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE  Cathy J. Read

SUBJECT: Draft Report on *Audit of Selected Bureau of Administration, Office of Operations, Office of Facilities Management Services Contracts (AUD-CGI-20-XX)*

Thank you for the opportunity to provide comments for the subject draft report. The point of contact for this report is the OPE Front Office (A-OPEFrontOfficeAssistants@state.gov).

Response to recommendations.

Recommendation 2: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures to verify that Contracting Officers are monitoring Contracting Officer's Representative files in accordance with Procurement Information Bulletin No. 2014-10.

Management Response to Draft Report (02/20/2020): OPE concurs with this recommendation and notes the recommendation is verbatim to Recommendation 2 under report AUD-CGI-18-50 which is currently resolved. AQM is in process of the initial tranche of file reviews using a new COR file review checklist, and expects to have completed checklists to share with OIG as documentation of implemented procedure during the beginning of Q3 FY2020. As such, OPE respectfully requests AUD-CGI-18-50, Recommendation 2 be closed and compliance action continue under the subject report.

Recommendation 6: OIG recommends that the Bureau of Administration, Office of Operations, Office of Facilities Management Services, in coordination with the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, develop and implement procedures for Contracting Officers to develop appropriate quality assurance surveillance plans for all facilities management service contracts and for Contracting Officer's Representatives to execute quality assurance surveillance plans in accordance with the Federal Acquisition Regulation and Department of State guidance.

Management Response to Draft Report (02/20/2020): OPE respectfully requests this recommendation be transferred from FMS to AQM given a solution continues to be developed and implemented in a centralized fashion. OPE concurs with this recommendation and notes the recommendation is almost verbatim to Recommendation 4 under report AUD-CGI-18-50 which is currently unresolved. AQM is finalizing a plan to implement the intent of the recommendation, as stated in the February 2020 compliance response, by March 31, 2020. AQM remains committed to sharing with OIG the final plan and milestones for implementation. As such, OPE

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respectfully requests AUD-CGI-18-50, Recommendation 4 be closed and compliance action continue under the subject report.

Recommendation 7: OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management develop and implement a communication strategy to emphasize Contracting Officers' responsibilities to tailor designation memoranda, as necessary, to identify specific duties, responsibilities, and limitations for each contract or task order administered.

Management Response to Draft Report (02/20/2020): OPE concurs with this recommendation and notes the recommendation is similar to Recommendation 8 under report AUD-CGI-18-50 which is currently resolved. AQM is currently working with A/EX/ITS to modernize the COR and CO databases along with fixing the nomination, delegation, and administrative filing of these documents into a new application. User acceptance testing is remains anticipated to begin in Q3 FY2020. The deployment of the final product is anticipated to be March 31, 2021. The deployment of and training on the tool will constitute the communication strategy to address how to identify specific duties, responsibilities, and limitations for each contract or task order. In addition, AQM will update its internal policy to coincide with the launch of the tool. As such, OPE respectfully requests AUD-CGI-18-50, Recommendation 8 be closed and compliance action continue under the subject report.

Comments on report.

Page 15 – OIG appears to misstate as a requirement an internal control attribute that is related to Principle 14 in the GAO "Green Book." OPE respectfully requests OIG amend the sentence to better reflect that the attribute cited is part of the framework that management should consider in designing and implementing the specified principle.

Page 15 – "OIG found that the CO and FMS management did not consistently communicate internal control responsibilities to the CORs. Specifically, the COR designation memorandum provided by the CO [...] did not provide specific instructions as to how the COR was to fulfill his or her contract oversight role." OPE respectfully requests OIG edit the discussion on pages 15-16 to disentangle three distinct lines of effort: 1) improving accountability in achieving a mission through implementation of effective internal controls (i.e. an organizational issue); 2) the basic supervisory relationship between a manager and an employee; and, 3) an adequate contract oversight framework. The CO and COR designation letter do not articulate supervision responsibilities – in the traditional manager / employee sense – of a COR, nor for training a COR to have the necessary knowledge to be successful in their role. CORs should already have many hours of training that have prepared the individual for an oversight role, should already have expert knowledge in their field which will inform their contract oversight duties, and should have an understanding of the performance requirements of their specific position in an organization, prior to being nominated by their supervisor to be a COR. To this end, OPE believes the CO is responsible for ensuring clear contract requirements and quality assurance criteria are incorporated into a contract which, in turn, will empower a COR in their oversight role.

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APPENDIX D: OIG REPLY TO THE BUREAU OF ADMINISTRATION, OFFICE OF THE PROCUREMENT EXECUTIVE, GENERAL COMMENTS

In addition to commenting on the recommendations offered in this report, the Bureau of Administration, Office of the Procurement Executive (OPE), provided general comments related to a draft of this report (see Appendix C).

OPE Comment: OPE stated that the Office of Inspector General (OIG) “appears to misstate as a requirement an internal control attribute that is related to Principle 14 in the [Government Accountability Office (GAO)] ‘Green Book.’” OPE requested that OIG amend the sentence to “better reflect that the attribute cited is part of the framework that management should consider in designing and implementing the specified principle.”

OIG Reply: As requested, OIG added clarifying language to provide greater clarity about the difference between the Principle and the associated attribute (see the corresponding sentence related to footnote 58 in this report).

OPE Comment: OPE requested that OIG revise the report section that states that internal control responsibilities were not communicated to the Contracting Officer’s Representative (COR). OPE stated that the Contracting Officer (CO) does not have a supervisory responsibility for CORs and is not required to provide training to the CORs. OPE suggested that OIG’s approach did not adequately “disentangle . . . distinct lines of effort” regarding accountability, supervisory practices, and contract oversight. OPE believes that “the CO is responsible for ensuring clear contract requirements and quality assurance criteria are incorporated into a contract which, in turn, will empower a COR in their oversight role.”

OIG Reply: OIG agrees that the CO does not have supervisory responsibility for CORs and is not required to provide training to the COR. However, the CO has a responsibility to communicate the COR’s own responsibilities, including internal control responsibilities, in a designation memorandum. As OIG stated in the Audit Results section of this report, “Each contract must be treated individually to account for unique COR responsibilities. The designation memorandum must identify the COR’s specific duties and responsibilities, such as monitoring and documenting contractor performance and reviewing contractor invoices. Although certain elements may be the same in every designation memorandum, COs should tailor the memorandum overall as appropriate.” Monitoring and maintaining documentation are internal control activities that must be properly executed by the COR; however, this begins with the CO communicating clear, specific responsibilities and expectations in the COR designation memorandum. In sum, OIG disagrees with the suggestion that the report mingles “different lines of effort,” and OIG made no changes to this report on the basis of this comment.

ABBREVIATIONS

AQM	Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management
CO	Contracting Officer
COR	Contracting Officer's Representative
DOSAR	Department of State Acquisition Regulation
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FFP	firm-fixed-price
FMS	Bureau of Administration, Office of Operations, Office of Facilities Management Services
GAO	Government Accountability Office
IDIQ	indefinite-delivery, indefinite-quantity
OIG	Office of Inspector General
OPE	Bureau of Administration, Office of the Procurement Executive
PIB	Procurement Information Bulletin
QASP	quality assurance surveillance plan

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