



U.S. OFFICE OF PERSONNEL MANAGEMENT
OFFICE OF THE INSPECTOR GENERAL
OFFICE OF AUDITS

Final Audit Report

Subject:

**AUDIT OF
THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S
HUMAN RESOURCES SOLUTIONS' VENDOR
MANAGEMENT BRANCH**

Report No. 4A-HR-00-11-012

Date: 09/30/11

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

AUDIT REPORT

**AUDIT OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S
HUMAN RESOURCES SOLUTIONS'
VENDOR MANAGEMENT BRANCH**

Report No. 4A-HR-00-11-012

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A handwritten signature in black ink, appearing to read "Michael R. Esser".

Michael R. Esser
Assistant Inspector General
for Audits



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

Office of the
Inspector General

EXECUTIVE SUMMARY

**AUDIT OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S
HUMAN RESOURCES SOLUTIONS'
VENDOR MANAGEMENT BRANCH**

Report No. 4A-HR-00-11-012 Date: 09/30/11

The Office of the Inspector General has completed a performance audit of the Office of Personnel Management's (OPM) Human Resources Solutions' (HRS) Vendor Management Branch (VMB). Our main objective was to determine if the VMB is effectively managing its vendor management operations. In order to make this determination, our audit included the following specific objectives: (1) determine if vendor task orders awarded in fiscal year (FY) 2010 complied with Federal Acquisition Regulations; (2) determine if the Vendor Management Branch's performance measures are reliable in measuring actual performance; and (3) verify if Deliverable Receipt Forms were appropriately approved in FY 2010.

Our audit was conducted from February 7, 2011 through April 4, 2011 at OPM headquarters in Washington, D.C. We determined that VMB has effective performance measurement controls in place. However, VMB does not have effective controls in place to ensure that deliverable receipts are prepared and accepted for tasks completed by its vendors prior to payment, and to ensure compliance with the Federal Acquisition Regulations (FAR) for VMB's contracting processes. Our audit identified two areas requiring improvement.

A. Vendor Contracting Process

1. Insufficient Controls over VMB's Deliverable Receipt Acceptance Process Procedural

VMB does not have sufficient controls in place to ensure that deliverable receipts are prepared and accepted for tasks completed by its vendors prior to payment.

2. **Insufficient Controls over VMB's Vendor Contracting for Compliance with the FAR**

Procedural

Facilities, Security, and Contracting (FSC) policies do not provide adequate controls to ensure compliance with the FAR for VMB's contracting processes.

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I. INTRODUCTION AND BACKGROUND

Introduction

This final report details the findings, conclusions, and recommendations resulting from our performance audit of the U.S. Office of Personnel Management's (OPM) Human Resources Solutions' (HRS) Vendor Management Branch (VMB). The audit was performed by OPM's Office of the Inspector General (OIG) as authorized by the Inspector General Act of 1978, as amended.

Background

The Leadership and Talent Management Services (LTMS) of OPM's HRS is a Federal business enterprise that partners with agencies to meet their missions by providing effective human resource solutions. Within LTMS there are two branches under the Account Management Group: the Client Management Branch, which is responsible for customer relationship management and business planning and development, and the VMB, which is responsible for providing government agencies customized Training and Human Resources solutions that improve workforce performance at the individual, team, and enterprise levels through the activities of pre-competes private sector vendors.

VMB performs its functions by managing private sector contractors in the design, development, and implementation of solutions in the areas of training and strategic human resource management. VMB partners in this effort with OPM's Facilities, Security, and Contracting (FSC) office and adheres to the Federal Acquisition Regulations (FAR) as the main operational criteria in the course of its procurement processes. FSC assists VMB with Contract Officer personnel to support VMB in achieving its mission and provides oversight for the management of contract bidding and negotiations.

VMB was created in January 2010 to consolidate LTMS' Training & Management Assistance, GoLearn, and Recruitment and Branding offices. From January to August 31, 2010, VMB Project Managers were responsible for managing all aspects of the vendor contracting process, including:

- Assisting customers in preparing Statement of Objectives/Requirements;
- Preparing Interagency Agreements, work orders, and project and work order amendments;
- Coordinating and facilitating Task Order Competitions and Kickoff meetings;
- Notifying the winning vendor;
- Assisting customers in reviewing the vendors' project management plans;
- Monitoring spending and tracking progress of work against the task order; and
- Processing invoices for payment.

From September 2010 with the creation of the VMB Center of Excellence, new protocols with regard to task order competition were created, and a number of the duties that had historically been the responsibility of VMB employees returned to the custody of OPM's Contracting Group. These duties include creation of task orders, approval of task orders, management of competitions, and provision of contracting guidance.

Once a vendor contract is awarded, and prior to the start of contract work being performed, the vendor prepares a Deliverable Receipt Form (DRF) signed by the customer agency for a specific task. The DRF documents the deliverables, and their cost, to be provided to the customer. The DRF is sent to the customer for approval when the deliverables are received and returned to the appropriate VMB Section Project Manager for payment to the vendor. The DRF ensures that the deliverables were completed before payment is made to the vendor.

Customer Satisfaction Surveys are used as diagnostic tools to assess Federal agencies' satisfaction with services provided by VMB, and to meet Government Performance and Results Act and Office of Management and Budget Circular A-11 requirements. At the conclusion of a project, a customer survey is submitted to Federal agencies for responses that are input directly into an online survey system with the results calculated using a statistical analysis program. Survey results are compiled bi-annually and compared against VMB's annual performance targets. For Fiscal Year (FY) 2010, part of VMB's performance target was to achieve an American Consumer Satisfaction Index (ACSI) equivalent index score of 70 for VMB projects. This VMB index score then feeds into the HRS-wide ACSI-equivalent index score goal of 80. Performance results for HRS as a whole are reported in the Performance and Accountability Reports and Program Assessment Rating Tool, as part of OPM's balanced scorecard. VMB results are reported internally to HRS.

II. OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of our audit was to determine if the VMB is effectively managing its vendor contracting processes. Specifically, we:

- Determined if vendor task orders awarded in fiscal year (FY) 2010 complied with Federal Acquisition Regulations;
- Determined if the Vendor Management Branch's performance measures are reliable in measuring actual performance; and,
- Verified if Deliverable Receipt Forms were appropriately approved in FY 2010.

The recommendations included in this final report address these objectives.

Scope and Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit covered 98 task order competitions and awards in FY 2010, as well as external laws and regulations, and internal policies and procedures currently used by FSC and VMB as guidance for managing VMB's vendor contracting operations.

We performed our audit fieldwork from February 7, 2011 through April 4, 2011 at OPM headquarters located in Washington, D.C.

To accomplish the audit objective noted above, we:

- Sampled and tested contract files of task orders awarded in FY 2010 for compliance with the FAR;
- Sampled and tested FY 2010 Customer Satisfaction Surveys to validate VMB's reported performance data;
- Sampled and tested DRFs from FY 2010 to ensure they were appropriately reviewed, documented, and approved; and
- Interviewed VMB and FSC's program office representatives, as necessary.

In planning our work and gaining an understanding of the internal controls over VMB's vendor contracting operations, we considered the internal control structure to the extent necessary to develop our audit procedures. These procedures were mainly substantive in nature, although we did gain an understanding of management procedures and controls to the extent necessary to

achieve our audit objectives. The purpose of our audit was not to provide an opinion on internal controls but merely to evaluate controls over the processes included in the scope of our audit. Our audit included such tests and analysis of VMB's and FSC's vendor contract files and internal policies and procedures as they pertained to FAR requirements; ACSI performance data pulled from VMB's customer surveys in relation to VMB's performance measure targets for FY 2010; the oversight and completeness of VMB's DRFs; and other procedures as we considered necessary under the circumstances. We determined that VMB has effective performance measurement controls in place. However, VMB does not have effective controls in place to ensure that deliverable receipts are prepared and accepted for tasks completed by its vendors prior to payment, and to ensure compliance with the FAR for VMB's contracting processes.

We sampled documentation for review and testing on a random basis. Using VMB's FY 2010 task order competition award file, provided on December 13, 2010, we randomly selected a sample of 30 out of 98 umbrella task order projects, with a total value of \$261,140,016, for testing against the FAR and for our testing of DRFs. In addition, we tested all 14 customer survey responses from the fall FY 2010 Customer Satisfaction Survey. The results from our samples were not projected to the population.

III. AUDIT FINDINGS AND RECOMMENDATIONS

Vendor Contracting Process

1. Insufficient Controls over VMB's Deliverable Receipt Acceptance Process

VMB has insufficient controls in place to ensure that deliverable receipts are prepared and accepted for tasks completed by its vendors prior to payment. Specifically, for the 30 DRFs reviewed, we determined that 19 were not properly prepared, reviewed for quality assurance purposes, and accepted. The remaining 11 samples we reviewed were missing at least one of the required actions.

FAR Subpart 46.501 states that acceptance [of supplies and services] constitutes acknowledgment that the supplies or services conform with applicable contract quality and quantity requirements. In addition, acceptance shall ordinarily be evidenced by execution of an acceptance certificate on an inspection or receiving report form.

VMB's processes state that VMB or the vendor is responsible for preparing a DRF for a specific task, and sending it to the customer for approval when the deliverables are received and prior to vendor payment.

VMB does not have procedures in place to ensure the proper acceptance and oversight of contract deliverables. In addition, VMB was unable to verify that monthly reviews are performed to ensure the integrity of DRFs against falsifications and inaccuracies.

By not ensuring that DRF acceptance is properly documented and monthly reviews are performed, deliverable acceptance may be falsified and payment made to the vendor when the deliverable was not completed or satisfactory.

Recommendation 1

We recommend that VMB and Facilities, Security, and Contracting (FSC) establish controls to ensure that deliverable acceptances are reviewed and documented prior to payment of vendor invoices.

HRS' Response:

HRS partially concurs with the finding. HRS states that it non-concurs with the recommendation that VMB establish controls to ensure deliverable acceptances are documented, namely due to assignment of responsibility. While VMB plays a role in the DRF acceptance process, official documentation of DRF acceptance is a contract responsibility, and as such, it is FSC's responsibility to maintain that in the contract file.

FSC's Response:

FSC defers to VMB for a response.

OIG Comment:

While VMB states that its non-concurrence is due to the assignment of responsibility, it is our opinion that both the VMB and FSC have joint responsibility in the payment of vendors.

2. Insufficient Controls over VMB's Vendor Contracting for Compliance with FAR

VMB and FSC's Contracting group do not have adequate controls to ensure compliance with the FAR. Specifically, we determined that all 30 of VMB's task order competitions that we sampled were missing at least one of the FAR requirements. For example, 10 task orders did not have evaluation criteria documented for ranking the vendors. The specific details of the task orders in question have been provided to VMB and FSC separate from this report.

VMB's procedures state that a selection panel will evaluate participating Task Order Competition (TOC) vendors, using a standardized VMB evaluation format with specified evaluation factors, and make a recommendation of the firm or firms considered the best qualified. VMB's procedures also state that the approval document for task order assignments will be placed in the official project file.

The FAR states, "The FAR is the primary regulation for use by all Federal Executive agencies in their acquisition of supplies and services with appropriated funds."

VMB's contracting files are not in compliance with the FAR, increasing the risk that task order competitions are not properly competed.

Recommendation 2

We recommend that FSC's Contracting group work with VMB to establish and implement controls over its policies and procedures to ensure that VMB's vendor contracting operations are in compliance with the FAR.

HRS' Response:

HRS does not concur with the finding, due to the assignment of responsibility to VMB. HRS believes that control of contracting operations is the responsibility of the Contracting Group.

FSC's Response:

FSC does not concur with the finding, due to the assignment of responsibility to VMB. They state that control of contracting operations is the responsibility of the Contracting Group.

OIG Comment:

We agree that FSC has overall responsibility to ensure contracting operations are performed in compliance with the FAR requirements. We continue to believe that both groups should work together in developing controls to ensure that all task order competitions are in compliance with FAR requirements, and have modified our draft recommendation to clarify each group's role.

IV. MAJOR CONTRIBUTORS TO THIS REPORT

Internal Audits Group

, Auditor-In-Charge
, Lead Auditor
, Auditor
, Senior Team Leader
Chief



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT
Washington, DC 20415

May 31, 2011

Human Resources
Solutions

MEMORANDUM FOR [REDACTED]

Chief, Internal Audits Group

FROM:

Nancy H. Kichak
NANCY H. KICHAK
Associate Director
Human Resources Solutions

SUBJECT:

Draft Report on the U.S. Office of Personnel Management's
Vendor Management Branch
Report No. 4A-HR-00-11-012

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Response to Recommendations

FINDING # 1: Ineffective Controls Over VMB's Deliverable Receipt Acceptance Process.

RECOMMENDATION # 1: We recommend that VMB establish controls to ensure that deliverable acceptances are reviewed and documented prior to payment.

MANAGEMENT RESPONSE:

- HRS partially concurs with this finding.
- Additional background:
 1. The core finding in this case is that auditors sampled project files for the FY 10 time period and found that some PMs retained DRFs for projects, while others did not. HRS concurs with this portion of the finding.
 2. HRS concurs with the recommendation that VMB establish controls to ensure that deliverable acceptances are reviewed. VMB Project Managers have always reviewed deliverable acceptances prior to approving payment, and continue to do so now. Currently, vendors provide OPM's Invoice Processing Team under FSC a copy of the DRF by way of FSC's Prompt Pay mailbox. The invoice with corresponding DRF is uploaded into CBIS and a hardcopy is delivered to the VMB PM, who has verification responsibility by way of hardcopy review and subsequent approval/rejection in VMB's ProTrac project management system. Many PMs did not retain these documents after approving invoices; HRS intends to establish better controls accordingly.
 3. HRS non-concurs with the recommendation that VMB establish controls to ensure deliverable acceptances are documented, namely due to assignment of responsibility. While VMB plays a role in the DRF acceptance process official documentation of DRF acceptance is a contract responsibility, and as such it is FSC's responsibility to maintain that in the contract file.
- Corrective Action:
 1. Management is taking several actions to improve controls to ensure that deliverable acceptances are reviewed and documented before payment, to include requiring the retention of DRFs in project files as a backup to the official contract files housed in FSC.
 2. As part of this effort, VMB PMs will receive SOPs that outline the expectation that DRFs will be kept electronically in the VMB AcqDoc system for future retrieval. Documentation in the form of a project plan for this VMB Process Improvement Team is attached. All of these actions should take place, with associated deliverables, according to the timeframes established in the VMB Process Improvement Team (VMB PIT) project plan.
 3. Expectations of employees regarding DRFs will be incorporated into their performance standards. Management will task Supervisors with sampling project files on a monthly basis to review DRFs as an internal control to ensure compliance.

4. HRS/VMB's Process Improvement Team (VMB PIT) assisting FSC/CO with ensuring that official contract files have all required information, including DRF, as mandated by the FAR. HRS VMB can provide support and structure to this process, but it would be inappropriate for HRS VMB to maintain the contract files.

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FINDING # 3: Insufficient Control over VMB Vendor Contracting.

RECOMMENDATION # 3: We recommend that VMB establish and implement controls over its policies and procedures to ensure that its vendor contracting operations are in compliance with the FAR.

MANAGEMENT RESPONSE:

HRS **non-concurs** with this finding, due to the assignment of responsibility. It is the HRS position that, according to the Federal Acquisition Regulations (FAR), control of contracting operations is the responsibility of the Contracting Group, and therefore outside of the span of control of HRS.

Additional Background

- Maintaining contract files is a Contracting responsibility; however, this responsibility previously was assumed by VMB in light of the volume of contracting actions required.

In July 2010, OPM's Senior Procurement Executive (SPE) determined, and HRS concurred, that according to FAR, oversight of vendor contracting operations is an FSC/CO responsibility, rather than a VMB responsibility. As such, VMB created the Task Order Competition Center of Excellence (TOC COE) with new Task Order Competition (TOC) procedures overseen by FSC CO. This group of subject matter experts provides FSC CO with an additional front end quality control mechanism to insure better, more accurate contract actions.

Corrective Actions:

- HRS/VMB's Process Improvement Team (VMB PIT) is assisting FSC/CO with ensuring that official contract files have all required information mandated by the FAR. HRS VMB can provide support and structure to this process, but it would be inappropriate for HRS VMB to maintain the contract files.
- HRS has also agreed to fund a total of 5 FSC CO employees to work with HRS VMB, and fund additional contracting surge support to assist with VMB recompetes, contract closeout, task order competitions, and task order awards.

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

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JUN 15 2011

Facilities, Security,
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Chief, Internal Audits GroupFROM: TINA B. MCGUIRE
Director
Facilities, Security & ContractingSUBJECT: Draft Report on the U.S. Office of Personnel
Management's Vendor Management Branch,
Report No. 4A-HR-00-11-012

Facilities, Security and Contracting (FSC) has reviewed the Office of Inspector General's (OIG) draft audit report on OPM's Vendor Management Branch (VMB) and appreciates the opportunity to comment on the report. In consultation and partnership with HRS, we have already undertaken a number of actions to improve contracting activities for VMB.

Responses to specific findings and recommendations are below:

Response to Recommendations

FINDING # 1: Ineffective Controls Over VMB's Deliverable Receipt Acceptance Process.

RECOMMENDATION # 1: We recommend that VMB establish controls to ensure that deliverable acceptances are reviewed and documented prior to payment.

MANAGEMENT RESPONSE:

FSC defers to VMB for a management response in this area.

Additional background:

- The Contracting Group requires Contracting Officers (CO) to maintain documentation of the acceptance of goods and services; however, there is no specific requirement in the FAR or otherwise for the CO to retain DRF's. Approvals of goods and services are documented electronically by the Program Office in CBIS prior to vendor payment. The CBIS system provides an electronic record of acceptance that meets Contracting Group requirements.

Corrective Action:

- To assist VMB Project Managers with maintaining DRF's for VMB purposes, FSC has instituted a process whereby DRFs and invoices are sent via Outlook e-mail directly to the Project Managers and a newly created VMB mailbox.

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RECOMMENDATION # 3: We recommend that VMB establish and implement controls over its policies and procedures to ensure that its vendor contracting operations are in compliance with the FAR.

MANAGEMENT RESPONSE:

FSC **non-concurs** with this finding, due to the assignment of responsibility. According to the Federal Acquisition Regulations (FAR), control of contracting operations is the responsibility of the Contracting Group, and therefore outside of the span of control of HRS.

Additional Background

- Maintaining contract files is a Contracting responsibility; however, this responsibility previously was assumed by VMB in light of the volume of contracting actions required.
- Prior to July 2010, vendor contracting operations were delegated to VMB Ordering Officers. VMB Ordering Officers were warranted for actions up to \$250,000 for task orders issued against contracts awarded by FSC Contracting Group personnel.
- In July 2010, as a result of a review of contracting actions performed by VMB Ordering Officers, OPM's Senior Procurement Executive (SPE) indicated a pattern of actions inconsistent with FAR regulations. In consultation with HRS' senior leadership, a determination was made to revoke the warrants of these personnel and move all future contract actions directly to the FSC Contracting Group Director in Washington, DC.
- Since July 2010 VMB has not had an internal contracting operation, but

has been working collaboratively and with the guidance of FSC acquisition staff comply with all FAR requirements to meet the operational needs of VMB in the area of acquisition.

Corrective Actions:

- Following the revocation of warrants, FSC developed a centralized staffing plan to support future VMB operations through a cadre of staff reporting directly to the FSC Contracting Director and SPE. HRS has concurred with the staff plan and hiring actions are currently underway.
- Furthermore, HRS and FSC have collaborated and reached agreement on plans and methodologies to provide the contracting policies, processes and support necessary to meet the requirements of the both the FAR and VMB operations. Initial procurement activities have been initiated to bring this effort to fruition.

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