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INSPECTOR GENERAL

JULY 3, 2018

Russell Senate Office Building Food Service Contract Audit

Audit Report 2018-0006-AUD-R

MISSION

The OIG promotes efficiency and effectiveness to deter and prevent fraud, waste and mismanagement in AOC operations and programs. Through value added, transparent and independent audits, evaluations and investigations, we strive to positively affect the AOC and benefit the taxpayer while keeping the AOC and Congress fully informed.

VISION

The OIG is a high-performing team, promoting positive change and striving for continuous improvement in AOC management and operations. We foster an environment that inspires AOC workforce trust and confidence in our work.



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Results in Brief

Performance Audit - Russell Senate Office Building Food Service Contract

July 2, 2018

Objective

The objective of our audit was to determine whether the Architect of the Capitol (AOC) solicited and awarded the Russell Senate Office Building food service contract in accordance with agency policies and procedures.

Results

We concluded that the AOC solicited and awarded the Russell Senate Office Building food service contract in accordance with agency policies and procedures. Although we did not find any violations of policies and procedures, we noted some matters that the AOC may wish to consider to avoid any appearances of a conflict of interest in future contract actions.

Other Matters to Consider

The AOC could improve the administration and documentation of certain procurement matters. Specifically, we found the numeric due date on the past performance questionnaire (PPQ) did not match the intended due date, and the Contracting Officer (CO) accepted a PPQ submitted through a method that was not prescribed in the applicable instructions. Further, we found that the Source Selection Evaluation Board (SSEB) did not consistently rate the profit and loss statements. We suggest that the AOC consider these matters and implement improvements as they deem appropriate to avoid any appearances of a conflict of interest in future contract actions.

Management Comments

Management had no comments.

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DATE: July 3, 2018

TO: The Honorable Stephen T. Ayers, FAIA, LEED AP,
Architect of the Capitol

FROM: Christopher P. Failla 
Inspector General

SUBJECT: Audit of the Russell Senate Office Building Food Service
Contract (Project No. 2018-0001-AUD-P)

This memorandum transmits the final OIG Report 2018-0006-AUD-R for the Russell Senate Office Building Food Service Contract Audit. We conducted this audit in accordance with generally accepted government auditing standards.

Management had no comments.

We appreciate the courtesies extended to the staff during this audit. Please direct questions to me or MaryAnn Davenport, at 202.593.0081 or maryann.davenport@aoc.gov.

Distribution List:

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Introduction

Objective

Our audit objective was to determine whether the AOC solicited and awarded the Russell Senate Office Building food service contract in accordance with agency policies and procedures.

Background

We conducted this performance audit at the request of the United States Senate Rules Committee staff. The current Russell Senate Office Building food service contract is with KSC Inc., doing business as Cups & Company (KSC or KSC Inc.). The AOC first awarded KSC Inc. a contract in 2000 with several modifications. In July 2017, the AOC issued a new solicitation for the Russell Senate Office Building food service contract with proposals due by August 23, 2017.

The AOC solicited for a firm-fixed price commissions-based contract for daily food service at the Russell Building. The AOC sought the services of an “experienced, innovative, and financially sound contractor to provide food services to a variety of individuals with varied tastes and income levels, including:

- a. Senate members and staff
- b. Staff from nearby office buildings
- c. Visitors, tourists, and the general public”

The AOC further sought a contractor who could provide a quality dining experience to include “high quality food, cleanliness, expedient service, and a great value to the customer while providing a variety of menu items and making creative use of the food service facility.”

The solicitation stated the contract would cover a four-year base term with three two-year options. Three companies submitted timely offers for the contract. The AOC awarded the contract in late November 2017 to KSC Inc.

The SSEB was comprised of three AOC employees who evaluated the submitted proposals based on the factors and ratings defined in the Request for Proposal (RFP).

The five evaluation ratings include:

- Outstanding
- Good
- Acceptable
- Marginal
- Unacceptable

The SSEB evaluated the proposals based on four factors:

- Menu pricing, selection and proposed services
- Corporate experience
- Past performance
- Key personnel and staff plan

The SSEB rated KSC Inc.'s proposal with the highest overall technical evaluation rating of "Good". Per the technical evaluation and price evaluation report, KSC Inc.'s proposal provided a sound response which met all requirements and had many strengths with few weaknesses and no deficiencies. This report further states that the risk of unsuccessful performance is low and the company demonstrated an understanding of the requirements that can be expected to result in satisfactory performance.

Review of Internal Controls

We reviewed internal controls over the contract solicitation, selection and award processes. We completed our review by conducting procedural reviews of these processes with key AOC employees. We also obtained source documents to verify the procedural reviews. The AOC's contracting manual includes a number of internal controls designed to provide sufficient competition for contract solicitations. In addition, the CO is a key control in the procurement process to ensure compliance with requirements.

Criteria

We primarily used the following sources as criteria during this audit:

- 1- AOC Order 34-1 Contracting Manual, which includes uniform policies for AOC acquisition of supplies, services, construction and related services; and provides guidance to personnel in applying those policies and procedures.
- 2- Request for Proposal (RFP) SBA170113, which included instructions for offerors to follow in submitting their bids for the contract. It also specified the most important factors in the solicitation evaluations and provided information via RFP attachments to the offerors about how the selection panel would evaluate the proposals.
- 3- AOC Order 38-1 Government Ethics, Standards of Conduct, which defines ethical standards required of all Architect of Capitol (AOC) employees, including guidance on outside employment, conflicts of interest, fundraising, post-government service employment restrictions, political activities, gifts and related matters.

Finding

Food Service Contract Adequately Solicited and Awarded

We determined that the AOC solicited and awarded the Russell Senate Office Building Food service contract in accordance with AOC policies and procedures.

Solicitation:

We reviewed the AOC contracting manual to determine the solicitation requirements. We obtained the official procurement records for this contract which included the acquisition plan, solicitation notice, RFP, amendments and other pertinent documents. We compared the applicable requirements to the process followed during this procurement based on the interviews conducted and documents reviewed. The RFP included all requirements such as pertinent clauses from the Federal Acquisition Regulation, applicable attachments and key instructions for the vendors. In addition, AOC posted this solicitation to the appropriate sites. Based on our review we concluded that the AOC solicited the Russell Senate Office Building food service contract in accordance with applicable AOC requirements.

Award:

The AOC received and evaluated the three vendor proposals submitted by the due date and time as specified in the RFP. The AOC did not include one vendor's submission as part of the evaluation because it was received beyond the date specified in the RFP. We verified the proposal information by noting the time stamps on the proposals. We also reviewed the technical evaluation and price evaluation report which includes the SSEB members' ratings of each proposal. The SSEB rated all required factors as included in the RFP. We obtained and reviewed each individual proposal to verify the information included in each. KSC Inc. received the highest rating of "Good" and won the contract award.

Three AOC employees including the Contracting Officer Technical Representative (COTR) of the prior contract served on the SSEB, which was charged with evaluating each vendor's proposal. As required, these individuals signed source selection participation agreements which included disclosure of any possible conflict of interest.

We noted that the AOC contracting manual states that persons who represent the AOC in business dealings with commercial contractors must observe the highest ethical standards. Individuals should not allow themselves to be placed in a position in which an actual or apparent conflict of interest might arise. Not only must their official conduct comply with federal laws and AOC regulations, it must be such as to avoid any appearance of unethical conduct. We further inquired into the multiple roles of an AOC employee during this procurement process. The COTR of the prior contract served on the SSEB, provided a PPQ and evaluated the proposals. The evaluation also included the rating of the past performance questionnaire submitted by the COTR of the prior contract. Although the involvement of this employee in multiple roles appeared to be a potential conflict of interest, we found this is a common practice among other federal agencies. The CO is the key “control” person responsible for providing oversight over the procurement process to ensure it complies with requirements. Furthermore, we contacted the AOC Office of General Counsel (OGC), and they consider that conflict of interest situations involve financial interest and relationships. It is noted that when establishing the SSEB for this contract, one potential member did identified himself as having a potential conflict of interest. The Senate Superintendent referred this member to the OGC Ethics Officer for guidance to avoid the appearance of a conflict of interest. Further, the Superintendent did not allow this individual to serve on the board.

Summary

The AOC complied with applicable policies and procedures for the solicitation and award of the Russell Senate Office Building food service contract. Although we noted an instance that appeared to be a potential conflict of interest, we were able to determine this is common practice within the federal government and that the key control in the procurement process to ensure compliance with requirements is the CO. However, we did find administrative areas that AOC should consider for improvement for future contract actions to avoid the appearance of a conflict of interest.

Other Matters to Consider

Contract Award

AOC could improve documentation of certain administrative matters to avoid potential issues. Specifically we found:

- The numeric due date on the PPQ did not match the intended due date.
- The CO accepted a PPQ submitted through a method that was not prescribed in the applicable instructions.
- The SSEB did not consistently rate the profit and loss statements.

The PPQ instructions directed that responses be returned to the CO via Fax on or before the proposal submission due date of August 22, 2017 at 3:00 pm, ET. However, the proposal submission due date was August 23, 2017 per the RFP.

Further, the SSEB member submitted the PPQ via email and on August 23, 2017, a day after the due date stated on the PPQ. Although these instances are not a violation of applicable AOC policies and procedures we reviewed for this audit, it is important to ensure consistency among all procurement documents.

The RFP also required vendors to submit their profit and loss data. The SSEB used this data as part of their evaluation to assess vendor past performance. KSC Inc.'s profit and loss data showed increasing losses in the last two years. In addition, this vendor's proposal included proposed renovations of \$271,810 with capital investments totaling \$328,810 for the renovations and other expenses. Although KSC Inc., did provide SSEB with a letter from a third party regarding availability of funds to invest in the renovations, the increasing trend of losses and proposed renovations as illustrated in Tables 1 and 2, respectively, present potential concerns about the company's sustainability and continuation of operations. The SSEB, however, rated the receipt of the profit and loss statements from the awarded vendor as a strength and in line with their financial conditions, but also listed the minor losses under weaknesses.

Table 1. KSC Inc. Profit and Loss Data

Year	Profit/(Loss)
2014	\$ 172.30
2015	(\$ 6,752.37)
2016	(\$48,386.38)

Table 2. KSC Inc. Total Capital Investments

Description	Amount
Renovation for Base Period	\$271,810
Option Period 1 expenses	\$30,000
Option Period 3 expenses	\$10,000
As needed balance expenses	\$17,000
Total Capital Investment to be provided by KSC, Inc.	\$328,810

We suggest that the AOC consider these three matters and implement improvements as they deem appropriate.

Appendix A

Scope and Methodology

We conducted this performance audit from September 2017 through June 2018 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the following criteria to determine whether the AOC solicited, selected and awarded this contract in accordance with applicable requirements:

- AOC Order 34-1 Contracting Manual, dated March 31, 2016 with a Suspension and Debarment addition dated June 10, 2016. The Contracting Manual is the agency's policy for procuring and managing contracts
- Contract Solicitation Request for Proposal (RFP) SBA170113 dated July 13, 2017. The contract solicitation dictated the manner in which offerors were to submit their proposals and the manner in which the selection panel would evaluate the proposals and make any recommendations.
- AOC Order 38-1 Government Ethics Standards of Conduct, which defines ethical standards required of all Architect of Capitol (AOC) employees, including guidance on outside employment, conflicts of interest, fundraising, post-government service employment restrictions, political activities, gifts and related matters.

We interviewed key people related to this contract including the CO, COTR and members of the SSEB, Selection Advisory Board, other contracting personnel and individuals from the AOC OGC. We compiled and received answers to follow-up questions as needed. We compared the information obtained through testimonial (interview) evidence to documentary evidence or corroborated that information through other interviews.

We reviewed the proposals submitted by the offerors, consulted with appropriate counsel, and obtained and reviewed AOC training materials related to conflict of interest.

During our audit, we requested all material related to the solicitation, proposals, and evaluation of proposals, including the final award documentation and notices of non-

selection. We compared the submitted proposals to the solicitation, to the evaluations, and to the final documents.

Use of Computer-Processed Data

We did not rely on computer-processed data to answer the objectives of this audit. The SSEB utilized some AOC-developed spreadsheets completed by the offerors for some of their analysis. We reviewed the spreadsheets for content and tested some calculations. The focus of this audit is on processes. Computer processed data will not materially affect the findings and recommendations of this audit.

Prior Coverage

No prior coverage has been conducted on the Russell Senate Office Building Food Service Contract during the last five years. We searched the Government Accountability Office (GAO) website in an attempt to find any related GAO audits or evaluations. We found none.

Appendix C

Engagement Letter



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United States Government

MEMORANDUM

DATE: September 5, 2017

TO: The Honorable Stephen T. Ayers, FAIA, LEED AP,
Architect of the Capitol

FROM: Christopher P. Failla
Inspector General

SUBJECT: Performance Audit - Russell Senate Office Building Food Service Contract
(Solicitation number RFPSBA170113)

The Office of the Inspector General will begin an audit of the Russell Senate Office Building Contract, upon award of the contract.

The objective of our audit is to determine whether Architect of the Capitol solicited and awarded the Russell Senate Office Building food service contract in accordance with agency policies and procedures.

Please provide a point of contact by September 15, 2017 to Ashton.Coleman@aoc.gov to schedule an entrance conference with the Audit Team. If you have any questions, please contact Ashton Coleman, Jr., Assistant Inspector General for Audit, at 202.593.0261.

Distribution List:

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Takis Tzamaras, Superintendent, Senate Office Buildings
Shalley Kim, Executive Officer

Acronyms and Abbreviations

AOC	Architect of the Capitol
CO	Contracting Officer
COTR	Contracting Officer's Technical Representative
GAO	Government Accountability Office
KSC	Cups & Company
OGC	Office of General Counsel
PPQ	Past Performance Questionnaire
RFP	Request for Proposal
SSEB	Source Selection Evaluation Board

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