OIG HIGHLIGHTS

View Report: ISP-I-16-03.

What OIG Inspected

OIG inspected the Bureau of Information Resource Management, Operations, Vendor Management Office from May 26 to July 2, 2015.

What OIG Recommended

OIG made four recommendations to the Bureau of Information Resource Management, Operations, Vendor Management Office to improve its operations including: to complete the Foreign Affairs Manual section on the office's roles and responsibilities; update all quality assurance surveillance plans for Vanguard contracts; conduct a cost-benefit analysis to determine if the Vendor Management Offices should develop a new performance metrics data base system; and to make mandatory use of a centralized project management system. OIG made two recommendations to the Bureau of Administration: to delegate the Vendor Management Office as a contract administration office and specify the contract administration duties the office should perform, and require contracting officer's representatives and government technical monitors to validate all performance metrics.

October 2015
Domestic Operations and Special Reports

Inspection of the Bureau of Information Resource Management, Operations, Vendor Management Office

What OIG Found

- The Vendor Management Office operates without authority to require compliance with its procedures. The Department has no guidelines on the operation of a vendor management office in the Foreign Affairs Manual, which defines authorities and responsibilities for each major component of the Department.

- The Vendor Management Office performs some contract administration office duties for the $3.5-billion Vanguard acquisition without formal delegation from the contracting officer as required by the Federal Acquisition Regulations.

- Between April 2014 and March 2015, the OIG team found that Vanguard government technical monitors failed to validate, on average, 25 of 268 performance metrics per month, leading the Department to pay performance incentive fees to contractors without complete validation of performance metrics.

- Despite the Vendor Management Office's deployment of the iSchedule project management application in September 2014, the Bureau of Information Resource Management directorates do not use iSchedule consistently because the bureau has not made use of the system mandatory.

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ISP-I-16-03 Office of Inspections October 2015

Inspection of the Bureau of Information Resource Management, Operations, Vendor Management Office

DOMESTIC OPERATIONS AND SPECIAL REPORTS

CONTENTS

KEY FINDINGS

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- The Vendor Management Office performs some contract administration office duties for the $3.5-billion Vanguard acquisition without formal delegation from the contracting officer as required by the Federal Acquisition Regulation.

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CONTEXT

In a March 2013 action memorandum, the Chief Information Officer (CIO) established the Vendor Management Office (VMO) in the Bureau of Information Resource Management (IRM), Operations, to support the Vanguard Acquisition Strategy. The CIO created the VMO after determining that he needed dedicated staff to monitor the Vanguard contract and assist with the formulation of well-defined performance metrics. The Vanguard Acquisition Strategy, a Department initiative, consolidated existing IRM contracts under the umbrella of one performance-based contract with multiple firm fixed price[1] task orders to provide better coordination and improve service delivery. The total Vanguard contract award was $3.5 billion over a period of 10 years and comprised 90 to 95 percent of IRM-wide contracting activity; IRM also has 50 contracts totaling $74 million that do not fall under the VMO or Vanguard.

Three functional support units comprise the VMO: Contract Management, Service Performance Management, and Enterprise Project Lifecycle Management. The VMO is separate from the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM), which is responsible for executing the Vanguard contract.

- The Contract Management unit's primary role is administering the Vanguard contract to ensure that the contractors meet the performance requirements in accordance with contract terms and conditions. This unit also assists the contracting officers, the contracting officer's representatives (COR), and the government technical monitors (GTM) in their duties.

- The Service Performance Management unit analyzes information generated through contractor reviews and makes recommendations on incentive and award fees.

- The Enterprise Lifecycle Project Management unit coordinates and monitors the execution of information technology projects, including the CIO's priorities. The unit assists project managers with project planning and execution through working groups and individual consultation. In support of IRM senior management, the unit also provides project briefings.

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[1] Per Federal Acquisition Regulation16.202-1, a firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties.

This inspection of the VMO took place as the office was evolving, carrying out its more defined mission of contract oversight and service performance management while continuing to develop the Enterprise Lifecycle Project Management functional area. Since the VMO's establishment, the CIO has tasked it with coordinating several priority projects that include Public Key Infrastructure deployment, the Virtual Desktop Initiative, the Foreign Affairs Network, and Cyber Security. These are listed objectives in the Department's IT Strategic Plan. This has led to increased responsibilities for the VMO and the resources needed to support them.

The OIG team used the March 20, 2013, IRM Operations action memorandum establishing the VMO and an April 5, 2013, memorandum from the Bureau of Administration to the Bureau of the Comptroller and Global Financial Services designating the VMO's organizational code as criteria to assess whether the VMO is carrying out its mission as intended. The language in 1 Foreign Affairs Manual (FAM), 270 Organizations and Functions for the VMO, drafted in August 2014, was still in the clearance process at the time of the inspection.

At the start of the inspection, the VMO staff consisted of 9 full-time employees, 1 student-trainee, and 16 contract positions. During the inspection, the number of contract positions increased to 24. FY 2014 funding for VMO activities is $1.5 million from diplomatic and consular program funding. As of May 2015, the amount for FY 2015 had increased to $3.9 million because of resources needed to manage new projects.

LEADERSHIP

The VMO director has seen the VMO through its pilot stage—establishing the office, defining the VMO's mission, and planning and implementing processes and procedures—to the present because its mission continues to evolve. Since the VMO's establishment, the director has led the office staff in development and implementation of IRM-wide standard processes, tools, and metrics for the Vanguard contract; development and deployment of an IRM-wide project/portfolio management system; and support for multiple high-priority projects, among other accomplishments for the office. VMO's mission and responsibilities have continued to expand. The office has received taskings from the CIO, often ahead of having the resources to carry them out.

The director has performed all the work necessary to plan and establish resources needs and obtain them, establish goals and objectives for the office, and manage the day-to-day functions. Four full-time equivalent government managers lead the three functional units and assist the director's management of day-to-day functions of the office; during the inspection, three new Civil Service employees arrived in the Enterprise Lifecycle Project Management unit to lead some of the projects. One of the new arrivals will serve as an advisor to the director as well as provide strategic direction, management, and oversight over special projects.

Morale and Equal Employment Opportunity

Morale among the VMO staff is good, according to interviews with the VMO full-time equivalent and contractor staff. The VMO staff raised no Equal Employment Opportunity issues or concerns during the inspection. The Office of Civil Rights reported no active or closed Equal Employment Opportunity cases from the VMO.

POLICY AND PROGRAM IMPLEMENTATION

The Vendor Management Office Operates Without Authority to Require Compliance With its Procedures

The VMO operates without authority to require compliance with its procedures. The Department has no guidelines on the operation of a vendor management office in the FAM, which defines authorities and responsibilities for each major component of the Department.

To date, the VMO has operated without a 1 FAM entry or IRM policy or guidance that specifies the office's authority. On April 13, 2015, IRM circulated a draft 1 FAM, outlining the proposed role and responsibilities of the VMO. In the interim, the VMO has no mechanism beyond consensus building to enforce adherence to its policies, procedures, and processes.

According to 2 FAM 1111.1a, the Department articulates official guidance, including procedures and policies, on matters relating to Department management and personnel, known collectively as "directives," in the FAM and the Foreign Affairs Handbook (FAH). Directives include Department administrative organization policies and procedures. According to 2 FAM 1111.2, the Department's directives program provides agency managers with the means to convey written instructions to Department and other relevant personnel and to document Department directives. The program's purpose is to make necessary organization, policy, and procedural information available to program management and operating offices so that they can carry out their responsibilities in accordance with statutory and Executive mandates.

> **Recommendation 1:** The Bureau of Information Resource Management, in coordination with the Bureau of Administration, should complete the 1 Foreign Affairs Manual directives on the roles and responsibilities of the Bureau of Information Resource Management, Operations, Vendor Management Office. (Action: IRM, in coordination with A)

The Vendor Management Office Acts as a Contract Administration Office Without Proper Delegation

The VMO performs some contract administration office duties for the $3.5-billion Vanguard acquisition without formal delegation from the contracting officer, as required in Federal Acquisition Regulation (FAR) 42.302(a). The office prepares evaluations of contractor performance;[2] ensures timely submission of required reports;[3] supports IRM offices regarding program reviews, status, performance, and actual or anticipated problems;[4] and assigns, performs, and supports contract administration.[5] In preparing contractor performance evaluations, the VMO is involved in the payment of incentive and award fees. Procedurally, the VMO sends, through the COR, a memorandum to the contracting officer recommending payment of these fees.

The performance of these contract administration duties without formal delegation has led to confusion among the IRM contract administrative staff regarding who is responsible for and who has authority to carry out contract administration. In one instance, this led the VMO to provide instruction to a vendor that was contrary to the contracting officer's guidance. According to 14 FAH-2 H-141, the contracting officer is the U.S. Government's authorized agent for dealing with contractors and has sole authority to solicit proposals; negotiate, award, administer, modify, or terminate contracts; and make related determinations and findings on behalf of the U.S. Government.

In addition, the CORs and GTMs, assigned to other IRM program offices, spend only 25 percent of their time on COR and GTM duties and fall under the Vanguard contracting officer's authority only when performing their COR and GTM duties. At times, it also has been a challenge for the VMO to get information from some of the CORs and GTMs and difficult for the office to compel some CORs and GTMs to follow its procedures and processes.

> **Recommendation 2:** The Bureau of Administration, in coordination with the Bureau of Information Resource Management, should delegate the Bureau of Information Resource Management, Operations, Vendor Management Office as a contract administration office and specify the contract administration duties that the office should perform. (Action: A, in coordination with IRM)

[2.] FAR 42.302(b)(11).

[3.] FAR 42.302(a)(58).

[4.] FAR 42.302(a)(67).

[5.] FAR 42.302(a)(57).

No Service Level Agreement

According to responses to the inspection team's survey, confusion still exists among some IRM and AQM staff about the roles and responsibilities of the VMO contract management staff. The OIG team advised the VMO to develop and execute a service level agreement between IRM and AQM to clarify the scope, quality, and timeliness for services and to define the roles of staff members involved in contract administration. Although not mandatory, AQM has established service level agreements with some of its customers to improve services and communication.

Some Government Technical Monitors Do Not Validate Performance Metrics

The VMO Service Performance Management unit has implemented performance metrics to review and analyze information generated through contractor performance assessments. The CORs and GTMs are required to review and validate performance metrics on a monthly basis. However, between April 2014 and March 2015, the OIG team found that Vanguard GTMs failed to validate, on average, 25 of the 268 performance metrics each month because of other priorities. Despite the lack of review and validation, the CORs and GTMs certify to the contracting officer that the contractor has provided all services as specified in the contract and met all the performance metrics and that the Department can pay contractors their incentive fees. For example, in January and February 2015, the Department paid $376,595 in incentive fees to contractors for superior performance without a review or verification of 20 performance metrics, which could lead to the Department paying for services that it did not receive. The OIG team did not verify whether the payments to the contractors were incorrect. The OIG Office of Audits is conducting a review of Vanguard task orders including the payment of incentive fees. According to 14 FAH-2 H-513(d), contract administration responsibilities of the COR and the contracting officer in 14 FAH-2, Exhibit H-513, include: assuring that the contractor does the work, assuring quality, assuring timely performance,; and approving payment for satisfactory performance. According to Department of State Acquisition Regulation Section 642.271, the contracting officer may appoint a GTM to assist the COR in monitoring a contractor's performance.

> **Recommendation 3:** The Bureau of Administration, in coordination with the Bureau of Information Resource Management, should require that Vanguard contracting officer's representatives and government technical monitors validate all performance metrics. (Action: A, in coordination with IRM)

Quality Assurance Surveillance Plans Are Out of Date

Quality assurance surveillance plans used to monitor and assess the performance of Vanguard contractors are not up to date because of staff turnover and other priorities. According to VMO policy, the VMO is responsible for creating and updating the quality assurance and assessment plans. The COR for each task order is responsible for executing and maintaining the quality assurance over the task order life cycle and maintaining all required records and documentation to support surveillance activities and decisions. In accordance with VMO policy, the quality

assurance surveillance plan is a living document that the VMO should review at least annually to document potential changes or improvements.

According to 14 FAH-2 H-523(b), the program office is responsible for developing specifications for inspection, testing, and other quality measures included in solicitations and contracts. When administering the contract, the COR is responsible for developing quality assurance procedures, verifying whether supplies or services conform to contract quality requirements and maintaining quality assurance records. In some cases, the contract will contain a quality assurance plan and the COR will use the procedures in this plan to evaluate the quality of services or deliverables provided.

The contracting officer uses these plans to estimate the contractor's performance scores, payment of incentive and award fees, and problem remediation. Using outdated quality assurance surveillance plans could adversely affect the contracting officer's ability to assess the contractor's performance.

> **Recommendation 4:** The Bureau of Information Resource Management, in coordination with the Bureau of Administration, should update quality assurance surveillance plans for Vanguard contracts in accordance with the Bureau of Information Resource Management, Operations, Vendor Management Office policy. (Action: IRM, in coordination with A)

Metric Management System Inadequate

The system the VMO uses to process performance metric data for contracts is inadequate for mission requirements. The unit currently uses Excel spreadsheets to track, monitor, and analyze contractor compliance with 475 active performance metrics.[6] Each month, the unit tracks and updates metrics in multiple places including the SharePoint site and Microsoft Excel workbooks. The VMO staff stated that the monthly reporting of metrics is labor intensive and requires extensive coordination and cross-referencing of data.

The Service Performance Management unit also tracks biweekly performance assessments using complex Excel spreadsheets and different SharePoint sites. The unit must link biweekly assessments to the metrics and then must analyze the two measures, which requires extensive contractor and staff effort. The unit reviews the spreadsheets and formulas frequently to test data integrity and for quality control purposes. Despite the testing, the OIG team found errors in spreadsheets during its verification of information.

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[6] VMO said that it has used over 700 performance metrics but only about 475 are active at any given time.

The VMO staff stated that their performance metric management system has leveraged Excel to its maximum capacity. The office has explored converting to a more efficient structured language query database management system but has not fully pursued implementation of this type of system. Language in 5 FAM 661 requires project managers to conduct a cost-benefit analysis for each new, modified, or fully integrated program or project.

> **Recommendation 5:** The Bureau of Information Resource Management should conduct a cost-benefit analysis to determine whether it should continue to use its current performance metric database system or develop and implement a new structured language query database management system to meet the office's requirements and implement the result. (Action: IRM)

iSchedule

The Enterprise Lifecycle Project Management unit created the iSchedule Management System (iSchedule), which provides the framework for integrating information technology project schedules to enable IRM to assign and manage work, monitor and control progress toward milestones, and understand the relationships and dependencies among the information technology projects. iSchedule incorporates 5 FAM 620 Information Technology Project Management and 5 FAH-5 H-210, Managing State Projects methodology, throughout the system.

Within iSchedule, dashboards track a project by name, responsible offices, where the project is in the Managing State Projects Information Technology phase, project timeline, and schedule and cost variance. The unit provides iSchedule application training to users of the system.

Use of the iSchedule Application Is Not Mandatory

Despite the VMO's deployment of the iSchedule application in September 2014, IRM directorates do not use iSchedule on a consistent basis because IRM has not yet made use of the system mandatory. This inconsistent use of iSchedule has resulted in inadequate bureau coordination and incomplete project data and limits visibility on projects, activities, and risk. According to 5 FAH-5 H212, projects may require the formal use of a project management tool.

> **Recommendation 6:** The Bureau of Information Resource Management should require the use of a Bureau of Information Resource Management-wide project/portfolio management system and incorporate it into the Foreign Affairs Manual. (Action: IRM)

RESOURCE MANAGEMENT

Table 1. FY 2014 Staffing and Bureau-managed Funding

Agency	U.S. Full-Time Equivalent Staff	U.S. Locally Employed Staff	Foreign National Staff	Funding
Civil Service	7	0	0	
Foreign Service	2	0	0	
Diplomatic and Consular				$1,500,000
TOTAL	**9**			**$1,500,000**

Source: VMO

The VMO receives management support from the Bureau of Administration, Executive Office, including human resources, procurement and travel program administration. The Bureau of Information Resource Management, Strategic Planning Office, Financial Management Division is responsible for the VMO's budget formulation and execution. The VMO budget for FY 2014 was $1.5 million in bureau-managed diplomatic and consular program funding. The amount excludes Department central funding for the VMO's full-time equivalent positions. As of May 2015, the funding for FY 2015 increased to $3.9 million for additional contractor support and for cybersecurity related projects

Although the OIG inspection did not reveal any significant issues with management or budget support to the VMO, the OIG team identified an issue regarding acquisition planning, described below.

Inadequate Acquisition Planning

Approximately 17 VMO contract staff members are working off a blanket purchase agreement managed in IRM's Messaging Systems Office that was due to expire on February 28, 2014. To extend the original performance period, AQM granted three 6-month extensions. AQM issued three separate authorizations to proceed to prevent issuing a stop work order on June 30, 2015, and granted a final extension to modify the period of performance to September 28, 2015.

The Federal Acquisition Regulation 7.104 states that acquisition planning should begin as soon as the agency identifies a need, preferably well in advance of the fiscal year in which the contract award or order placement is necessary. The OIG team found little evidence that the Messaging Systems Office and the VMO conducted acquisition planning within the timeframes suggested in the Federal Acquisition Regulation 7.104-General Procedures.

In order to award a new blanket purchase agreement, the Messaging Systems Office submitted a sole source justification based on an urgent and compelling need. The Department's Office of

the Legal Adviser denied the office's request because of inadequate acquisition planning. Program offices issuing requirements without sufficient lead-time restricts competition and risks increased costs. It can also put a strain on the contracting and administrative staff.

The OIG team advised the VMO to develop minimum timeframes needed to procure supplies and services with full and open competition.

INFORMATION TECHNOLOGY MANAGEMENT

The VMO receives adequate desktop, mobile computing, and telephone consolidated services and information technology support from IRM. The OIG team and IRM's information system security officer verified that the VMO staff complies with information assurance practices, application, and device use management controls and provides full accountability of equipment and software license assets. Standard operating procedures are relevant and up to date.

MANAGEMENT CONTROLS

IRM prepared its most recent Management Control Statement of Assurance on September 18, 2014. The VMO reported no deficiencies for FY 2014.

RECOMMENDATIONS

Recommendation 1: The Bureau of Information Resource Management, in coordination with the Bureau of Administration, should complete the 1 Foreign Affairs Manual directives on the roles and responsibilities of the Bureau of Information Resource Management, Operations, Vendor Management Office. (Action: IRM, in coordination with A)

Recommendation 2: The Bureau of Administration, in coordination with the Bureau of Information Resource Management, should delegate the Bureau of Information Resource Management, Operations, Vendor Management Office as a contract administration office and specify the contract administration duties that the office should perform. (Action: A, in coordination with IRM)

Recommendation 3: The Bureau of Administration, in coordination with the Bureau of Information Resource Management, should require that Vanguard contracting officer's representatives and government technical monitors validate all performance metrics. (Action: A, in coordination with IRM)

Recommendation 4: The Bureau of Information Resource Management, in coordination with the Bureau of Administration, should update quality assurance surveillance plans for Vanguard contracts in accordance with the Bureau of Information Resource Management, Operations, Vendor Management Office's policy. (Action: IRM, in coordination with A)

Recommendation 5: The Bureau of Information Resource Management should conduct a cost-benefit analysis to determine whether it should continue to use its current performance metric database system or develop and implement a new structured language query database management system to meet the office's requirements and implement the result. (Action: IRM)

Recommendation 6: The Bureau of Information Resource Management should require the use of a Bureau of Information Resource Management-wide project/portfolio management system and incorporate it into the Foreign Affairs Manual. (Action: IRM)

PRINCIPAL OFFICIALS

Title	Name	Arrival Date
Director	Corey Ludwig	4/2013

SENSITIVE BUT UNCLASSIFIED

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

This inspection was conducted in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department and the Broadcasting Board of Governors.

Purpose and Scope

The Office of Inspections provides the Secretary of State, the Chairman of the Broadcasting Board of Governors, and Congress with systematic and independent evaluations of the operations of the Department and the Broadcasting Board of Governors. Inspections cover three broad areas, consistent with Section 209 of the Foreign Service Act of 1980:

- Policy Implementation: whether policy goals are being effectively achieved and U.S. interests are effectively represented.
- Resource Management: whether resources are used with maximum efficiency and effectiveness and whether financial transactions and accounts are properly conducted, maintained, and reported.
- Management Controls: whether operations meet the requirements of applicable laws and regulations; whether internal management controls are enforced; whether instances of fraud, waste, or abuse exist; and whether adequate steps for detection, correction, and prevention have been taken.

Methodology

In conducting inspections, the OIG team reviews pertinent records; as appropriate, circulates, reviews, and compiles the results of survey instruments; conducts onsite interviews; and reviews the substance of the report and its findings and recommendations with offices, individuals, organizations, and activities affected by the review.

The OIG team conducted interviews with 87 Department staff (full-time equivalent and contractors), and officials from four other U.S. Government agencies during the survey phase of the inspection. The team conducted interviews with 80 Department staff (full-time equivalents and contractors) during the fieldwork phase of the inspection. The team interviewed the VMO staff directly in lieu of sending out OIG personal questionnaires because of the small size of the office. The team developed and distributed a survey to 110 users of the VMO to solicit their views of the VMO's performance. The survey's response rate was only 31 out of 110 users.

ABBREVIATIONS

AQM	Office of Acquisitions Management
CIO	Chief Information Officer
COR	Contracting officer's representative
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
GTM	Government technical monitor
IRM	Bureau of Information Resource Management
iSchedule	iSchedule Management System
VMO	Vendor Management Office

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