

Office of Inspector General Corporation for National and Community Service

AUDIT OF BLANKET PURCHASE AGREEMENTS FOR PROFESSIONAL CONSULTING SERVICES

OIG REPORT 14-09



NATIONAL &
COMMUNITY
SERVICE 

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This report was issued to Corporation management on June 20, 2014. Under the laws and regulations governing audit follow-up, the Corporation is to make final management decisions on the report's findings and recommendations no later than December 22, 2014 and complete its corrective actions by June 20, 2015. Consequently, the reported findings do not necessarily represent the final resolution of the issues presented.



June 20, 2014

TO: Jeffrey Page
Chief Operating Officer

FROM: Stuart Axenfeld *Stuart Axenfeld*
Assistant Inspector General for Audit

SUBJECT: Office of Inspector General (OIG) Report 14-09: *Audit of Blanket Purchase Agreements for Professional Consulting Services*

Attached is the OIG's final report on the *Audit of Blanket Purchase Agreements for Professional Consulting Services*. This audit was performed by OIG staff in accordance with generally accepted government auditing standards.

Under the Corporation's audit resolution policy, a final management decision on the findings in this report is due by December 22, 2014. Notice of final action is due by June 20, 2015.

If you have questions pertaining to this report, please contact Rick Samson, Audit Manager, at (202) 606-9380 or R.Samson@cncsoig.gov; or me at (202) 606-9360 or s.axenfeld@cncsoig.gov.

Attachment

cc: David Rebich, Chief Financial Officer
Roderick Gaither, Director Office of Procurement Services
Ted Miller, Chief of External Affairs
Doug Hilton, Director Office of Accounting and Oversight
Melissa Bradley, Chief Strategy Officer
Stephen Plank, Director of Research and Evaluation

Executive Summary

The Corporation for National and Community Service (the Corporation) regularly engages professional consulting services in such areas as public affairs, operational support, research and strategy. It has procured many of these services through Blanket Purchase Agreements (BPAs), standard contract frameworks that are used to fill repeated needs for supplies or services. BPAs account for about 23 percent of the \$64 million spent annually over the last three years for procurement.

After auditing a total of 12 task orders issued under four consulting BPAs, the Office of Inspector General found shocking waste of taxpayer funds, lax oversight, unauthorized contractual commitments and widespread noncompliance with rules, regulations and sound contracting practices. Among the highlights:

- **The Corporation wasted taxpayer funds on deliverables that were not used, were cancelled after incurring substantial costs, or were never received.**
 - **CNCS spent nearly \$900,000** (of the \$3 million in our sample) **on five projects that it never used.**
- **Program officials exceeded their authority and violated Federal procurement requirements with impunity by directing consultants to deviate from contract terms.**
 - Procurement officers charged with sole legal authority to enter into, modify and terminate government contracts were kept in the dark.
 - Instead of terminating a longitudinal study and returning the unspent funds to the Treasury, program officials diverted the funds to unrelated case studies inconsistent with the Corporation's research strategy and that the contractor acknowledged to be of little value.
- **The Corporation abdicated its fiduciary responsibility regarding payments to consultants and other contract monitoring.**
 - Program officers relied excessively on the trustworthiness of contractors, including approving \$2,427,463 in invoices for labor without obtaining timesheets or other contemporaneous documentary evidence of the hours worked.

- **Procurement officers did not adequately review contractor proposals to protect the government's interests.**
 - Contracting officers (COs) did not review the qualifications, eligibility or cost proposals of subcontractors and in one instance delegated the cost review to untrained program staff.

- **Chronic documentation problems interfere with transparency and accountability of contractual actions.**
 - Contract files lacked basic documents plans for acquisition, monitoring and subcontracting.
 - The procurement files did not document the reasons for critical decisions or identify the persons responsible for unauthorized changes to the scope and nature of consulting assignments.
 - Poor documentation practices and turnover at the staff and executive levels have created substantial gaps in the Corporation's institutional memory regarding consulting engagements.

The Corporation's operational units (grant programs and functional components, such as External Affairs) engage consultants under existing BPAs with little or no supervision at the enterprise level. Many of the problems that OIG detected here are longstanding and have not received sufficient attention or oversight. There has been no meaningful accountability for continuing waste and mismanagement of consulting services procured through BPAs.

Recommendations:

OIG's audit report offers 24 recommendations, addressing the procurement cycle from project design through post-contract evaluations of a project's value and effect. Overall, we believe that the operating unit requesting a project should be required to demonstrate that the project is necessary; better and more cost-effective than alternative means to accomplish the objective (e.g., whether existing studies from another source could serve the same purpose); well designed (particularly important for research projects); likely to produce measurable impact; and subject to planned monitoring. Projects above a pre-determined cost threshold should require approval by the Corporation's senior management.

Once a project is approved, procurement officers should participate actively in its administration, including scrutiny of proposed subcontractor costs and staffing, as well as proposed scope modifications. Program staff should stay within their authority and avoid entering into unauthorized modifications. Procurement officers and program staff should collaborate to monitor the contractor's performance, scrutinize labor and other charges, and track receipt of contracted-for deliverables. As required by Federal procurement regulations, procurement officers should maintain a central file that documents the project's lifecycle.

Following the completion of a project, the Corporation should conduct a post-contract review, evaluating the project's usefulness and impact, and the performance of Corporation staff responsible for project design, planning, oversight and administration.

In addition to remedial actions related to individual task orders within our sample, we have also urged better oversight of the procurement function in three specific ways. First, the Corporation should consider whether procurement is susceptible to significant improper payments within the meaning of the Improper Payments Elimination and Recovery Act (IPERA). Second, it should conduct periodic random reviews of contract administration files for compliance with documentation requirements and proper oversight of contractor performance. Finally, we urge the Corporation to review recent task orders beyond our sample, to ensure proper documentation and sound contracting practices, provide appropriate oversight of the contractors, promote accountability, prevent future improper payments and recapture any that have already occurred. That review could occur in conjunction with the IPERA assessment.

OIG commends the Corporation for the initial steps taken promptly by the Office of Procurement Services (OPS) to address the challenges identified in the report. We likewise believe that an enterprise-wide review is warranted, since many of the problematic practices originate outside OPS. We urge the Corporation to treat this as a high-priority, high-stakes matter and look forward to hearing how the Corporation intends to respond to our specific recommendations.

I. Introduction

To support its mission, the Corporation for National and Community Service (the Corporation) engages professional services in such areas as public affairs, operational support and strategy. It procures many of these services through Blanket Purchase Agreements (BPAs), standard contract frameworks that are used to fill anticipated repetitive needs for supplies or services. BPAs account for \$44,059,352 of the \$192,765,428 spent over the last three years for procurements. The Corporation's annual procurement spending exceeds its outlays for flagship programs such as the National Civilian Community Corps, the Senior Companion Program, and the Retired and Senior Volunteer Program and the Social Innovation Fund.

This performance audit selected four BPA professional services contracts active between January 1, 2010 and December 7, 2012. For each, we reviewed individual professional services assignments (task orders) as follows:

Contractor: August Jackson Company Total BPA Value: \$35,000,000 Number of Task Orders Issued Against BPA: 19 Obligated Value of Task Orders: \$2,544,528				
Sampled Task Orders	Program Office	Description	Obligated	Spent
CNS11A0009-0002	Public Affairs	Impact Videos to Support the Corporation's Strategic Plan	\$ 339,980	\$ 339,976
CNS11A0009-0003	Public Affairs	Creative Marketing Support	\$ 174,608	\$ 174,608
CNS11A0009-0005	Public Affairs	Senior Corps Marketing & Grantee Support	\$ 299,912	\$ 299,893
		Subtotal	\$ 814,500	\$ 814,477
Contractor: Greer, Margolis, Mitchel, Burns Associates Total BPA Value: \$25,000,000 Number of Task Orders Issued Against BPA: 32 Obligated Value of Issued Task Orders: \$4,343,145				
CNS10A0015-0009	Senior Corps	Support for Senior Corps week 2011	\$ 349,972	\$ 349,972
CNS10A0015-0016	Public Affairs	Support for Martin Luther King Day 2012	\$ 98,067	\$ 97,572
CNS10A0015-0031	External Affairs	Media Monitoring and Distribution Services	\$ 87,482	\$ 87,224
		Subtotal	\$ 535,521	\$ 534,768
Contractor: Abt Associates Inc. Total BPA Value: \$50,000,000 Number of Task Orders Issued Against BPA: 20 Obligated Value of Issued Task Orders: \$6,754,657				
CNSO9A0010-0008	Strategy	Support for Research and Analysis	\$ 499,857	\$ 263,746
CNSO9A0010-0009	Strategy	Learn and Serve America Service Learning Study	\$ 999,654	\$ 708,470
CNSO9A0010-0012	Strategy	AmeriCorps Longitudinal Study: Respondent Tracking & Phase IV Planning	\$ 239,856	\$ 101,507
CNSO9A0010-0016	Strategy	Case Studies of the Corporation's funded high-performing organizations	\$ 349,954	\$ 312,006
		Subtotal	\$ 2,089,321	\$ 1,385,729
Contractor: Grant Thornton Total BPA Value: \$3,000,000 Number of Task Orders Issued Against BPA: 25 Obligated Value of Issued Task Orders: \$2,042,911				
CNSO9A0014-0012	Evaluation	Support for Corporation Strategic Process	\$ 162,937	\$ 162,937
CNSO9A0014-0023	CFO	Internal Control Program Support	\$ 166,059	\$ 111,857
		Subtotal	\$ 328,996	\$ 274,794
		Total Sample	\$ 3,768,338	\$ 3,009,768

Our audit focused on two principal areas: (1) whether the Corporation received and used the services that it purchased; and (2) whether the contract administration was sound and complied with Federal laws, regulations and Corporation policy. We also compared the results to prior OIG audits of the Corporation's procurement operations.

The audit revealed significant waste of taxpayer dollars arising from poor planning, maladministration, lack of meaningful oversight and failure to adhere to Federal procurement requirements. We found deficiencies with respect to the Corporation's planning, acquisition, approval, payment and management of contractors. Our findings also indicate that the Corporation has not developed an effective contract review, tracking and monitoring system. Specifically:

- The Corporation wasted taxpayer funds on deliverables that were not used, were cancelled after incurring substantial costs, or were never received;
- Program officials exceeded their authority and violated Federal procurement requirements with impunity by directing consultants to deviate from contract terms;
- The Corporation abdicated its fiduciary responsibility regarding payments to consultants and other contract monitoring;
- Procurement officers did not adequately review contractor proposals to protect the government's interests; and
- Chronic documentation problems interfere with transparency and accountability of contractual actions.

Many of the problems discovered in this audit—incomplete contract files, poor review of contractor billings, lack of controls over contractor payment and performance, decisions by staff unauthorized to make them and failure to evaluate the reasonableness of proposed contract prices—were brought to the Corporation's attention in prior audits. See *Audit of the Corporation's Procurement and Contracting Processes and Procedures*, OIG Audit Report Number 98-24, August 7, 1998; *Follow-Up Audit of the Corporation's Procurement Operations*, OIG Audit Report Number 00-12, June 6, 2000; and *Audit of Corporation for National and Community Service Office of Procurement Services*, OIG Report Number 06-40, June 9, 2006. The Corporation's failure to take effective action to address these longstanding deficiencies is troubling.

We conducted this performance audit in accordance with generally accepted government auditing standards, including the requirement to 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. See *generally* the Audit Objective, Scope, and Methodology section of this report.

II. Overview of the Corporation's Contracting Process

The Corporation's Office of Procurement Services (OPS), acquires goods and services worth approximately \$64 million annually through contracts, delivery orders, purchase orders, BPAs and interagency agreements. Under a BPA, the Corporation establishes a framework agreement with a supplier and budgets for future acquisitions, but obligates funds only when it initiates a specific purchase. By establishing the contractor's eligibility and qualifications and the basic conditions of sale in advance, BPAs help to reduce the administrative time and red tape associated with repetitive purchasing.

To acquire specific goods and services under a BPA, the Corporation issues a task order, which contains a Statement of Work (SOW) that describes the required performance, usually at the request of the operating component that will receive the goods or services. The contractor responds with a proposal describing how it will meet the task order requirements, as well as the cost. Taken together, the task order and the contractor's proposal, once accepted, establish the terms of the contract. COs, who report to the Director of OPS, are the only Corporation staff legally authorized to accept a proposal and execute a task order on the Corporation's behalf, and only they can modify the terms or terminate the order once it is executed. COs are responsible for ensuring effective contracting, including compliance with the terms of the contract and safeguarding the interests of the United States in contractual relationships, Federal Acquisition Regulation (FAR)1.602-2. The Corporation currently employs four COs, aided by four Contracting Specialists, to handle approximately 850 contractual actions annually.

Any of the Corporation's operating components (whether a functional business unit, such as External Affairs, or a program, such as Senior Corps) may request a task order for goods or services under an existing BPA. The responsible component (referred to generically in this report as the Program Office) determines the work activities to be undertaken by the contractor, the product(s) to be delivered, deadlines, milestones and any other performance requirements, all of which it sets forth in the SOW, which defines the scope of the contracted activities. The director of the Program Office is responsible for approving these requirements. The proposed SOW, together with additional documentation necessary to initiate the procurement action, is forwarded to OPS.

Upon receipt of the SOW and related documents, a CO reviews the package for completeness and reasonableness. When procuring services through a BPA by means of a task order, the CO:

- Checks the SOW package for appropriate sign-offs from the Program Office Director and the Budget Office;
- Reviews the SOW for clarity and completeness;
- Determines whether the BPA is the appropriate contract vehicle for the procurement;
- Solicits a proposal from the contractor for performance of the assignment,;

- Reviews the contractor's proposal and facilitates its substantive review by the Program Office; and
- Notifies the selected contractor of the award and prepares, administers and monitors the contract.

Although task orders of \$150,000 or more must be reviewed by the Office of General Counsel for legal sufficiency, there is no requirement that anyone outside the requesting Program Office consider critically: (1) whether a particular professional services engagement represents a prudent investment of the Corporation's resources; (2) whether the requirements, expectations and methodologies are carefully thought out, well designed and clearly expressed; (3) whether the Corporation's internal subject matter experts concur in the design and usefulness of the project; and (4) the importance of this engagement relative to the Corporation's other priorities.¹ Just as there is no centralized decision-making before a task order is issued, there is likewise no centralized tracking of the contractor's performance, including whether deliverables were received and whether the results justified the expenditure, and no accountability for the Program Office responsible for initiating and overseeing the project. There is no requirement that the results be shared with senior management.

Following acceptance of a proposal and execution of a task order, the CO is required to designate a Contracting Officer's Representative (COR), who serves as the liaison between the responsible program office and the contractor. Ultimately, the CO and COR are jointly responsible for monitoring the contracts under their jurisdiction. The CO is required to develop a Quality Assurance Surveillance Plan (QASP) for each task order, describing the cost and performance monitoring to which the project will be subject. Contract monitoring includes ensuring that:

- Contracted goods or services are delivered or rendered, and the price paid is in accordance with the terms and conditions of the contracts;
- The contractor complies with the agreement terms and conditions and any applicable laws and regulations;
- Deliverables have been completed; and
- Funds have been accounted for and used appropriately.

If subcontracts are contemplated and the prime contract is valued at more than \$650,000, the contractor is required to submit a written subcontracting plan. See FAR 19.702(a)(1) *Statutory Requirements*; Corporation Acquisition Policy Section 5.603(c) *Subcontracting Plan*. The addition of a new subcontractor requires a revised subcontracting plan, accompanied by pricing information, to be reviewed and approved by the CO and the COR, followed by a formal modification of the contract by the CO. Before approving any subcontract, the CO must verify that the proposed subcontractor is not suspended or debarred from doing business with the Federal government.

¹ A project that involves a survey or similar research undergoes additional review within the Corporation and must also be approved by the Office of Information and Regulatory Affairs (OIRA) of the Office of Management and Budget.

III. Recent Developments at OPS

Prompted by our fieldwork, OPS has initiated certain actions to improve the Corporation's contract management. These include:

- Requiring that all COs and CORs complete 40 hours of updated comprehensive training by August 31, 2013;
- Requiring that all CORs be certified in the Federal Acquisition Institute Training Application system (FAITAS);
- Requiring that all contracts be assigned a COR, per a directive effective October 1, 2013;
- Issuing a manual to guide preparation of Independent Government Cost Estimates, internal projections of the resources required and costs to be incurred in the performance of a contract (e.g., direct costs such as labor, travel, and transportation, indirect costs such as overhead and general and administrative expenses);
- Hiring an experienced CO with expertise in alternative procurement approaches, such as use of Statements of Objectives (a broad description of project goals, providing the contractor with flexibility to propose innovative means to accomplish them), and Performance Work Statements (which describe the required results objectively, with measurable outcomes);
- Requiring submission of timesheets to validate labor charges for time-and-materials contracts;
- Including in future contracts a requirement that copies of the deliverables be submitted to the CO, as well as the COR;
- Requiring COs to review the supporting documentation pertaining to invoices submitted for time and material contracts.
- Issued Procurement Memorandum 14-01 to address determination of fair and reasonable prices when using federal supply schedule contracts; and
- Issued Prenegotiation Objective Memorandum (POM) and Price Negotiation Memorandum (PNM) to guide price and cost analysis.

We commend the significant measures implemented by OPS to strengthen the Corporation's procurement management. More, however, is required, beginning with senior executives' enforcement of sound contracting practices as an essential element of accountability and stewardship. As detailed hereafter, the program offices often bypass OPS and thereby avoid the critical and experienced oversight of COs. According to OPS personnel, when they are consulted, their advice is sometimes disregarded or overruled, without consequences or review at senior levels. OPS should be more assertive about raising these issues with supervisors in the program offices,

and, if necessary, elevating them to executive levels. OIG believes that empowering OPS is an important step towards robust contract management. Unless the Corporation is willing and able to make this commitment, then it should strongly consider outsourcing the procurement function to the Department of the Treasury's Administrative Resource Center or the Department of the Interior's Interior Business Center, or one of the other Federal agencies that will provide such services for a fee. Whichever alternative the Corporation pursues, it must also demand stronger planning, contract management and monitoring practices by the program offices to ensure compliance with Federal regulations and the Corporation's policies.

IV. Findings

1. The Corporation wasted taxpayer funds on deliverables that were not used, were cancelled after incurring substantial costs, or were never received.

Our audit found numerous instances of contract mismanagement, leading to substantial waste of public funds. The Corporation spent nearly \$900,000 on five projects that it never used. Four of these projects were the work of a single consulting firm, under a now-terminated BPA. The chart below summarizes the wasted expenditures:

Unused Deliverables		
Task Order/Project	Cost	Report Reference
Program effectiveness case studies	\$ 312,006	A1
Valuation on investment tool	\$ 301,562	A1
Internal Controls	\$ 111,857	A2
Service-Learning evaluation toolkit	\$ 65,331	B1
AmeriCorp, member satisfaction study	\$ 101,507	B2
Total	\$ 892,263	

In other instances, projects were cancelled after the Corporation made large investments. We also found cases in which the Corporation paid for deliverables that it did not receive.

A. The Corporation paid for deliverables that it did not use.

1. Abt: Case studies and program cost-effectiveness

The Corporation paid Abt Associates (Abt) a total of \$613,568 for two projects associated with grantee management practices and the cost-effectiveness of grant-

funded initiatives but never used the resulting work product. The first project involved case studies of grantees operating within various Corporation programs, while the second, related project concerned the development of a tool to enable grantees to determine the market value of their Corporation-funded programs.

Abt conducts research and program implementation in the fields of health, social and environmental policy, and international development. The Corporation awarded Abt a five-year BPA effective April 2009 to support the Office of Research and Policy Development, now known as the Strategy Office, with research and analysis, to include evaluations, quantitative and qualitative research studies, policy and program related analyses, cost-benefit analyses, performance measurement, and quick turn-around information analyses and reporting.

From September 2010 to September 2011, the Corporation engaged Abt to prepare “five to seven in-depth” case studies intended to highlight effective organizational practices used by grantees to accomplish the strategic priorities² adopted in the Corporation’s Strategic Plan for Fiscal Year (FY) 2011 – FY 2015. The assignment contemplated that Abt would analyze the costs and benefits of the activities described in the case studies and calculate a Return on Investment (ROI), demonstrating the cost-effectiveness of these programs. For all of this, Abt was to be paid \$349,954. The Corporation paid Abt \$312,006, 89 percent of the total contract amount, but received only four case studies, with no cost-benefit analysis or ROI calculation.

Abt advised our auditors that it could not make the ROI calculation because none of the grantees selected for the case study could provide the necessary data and suggested that the SOW made the ROI calculation contingent on the availability of information.³ No one could explain why, if the Corporation wanted a cost-benefit and ROI analysis, it selected grantees without first ascertaining whether at least some of them could supply the necessary information. Moreover, there was no incentive for Abt to calculate an ROI because it would be paid the same amount whether or not it did so.

² The four strategic priorities are: service as a solution; expanding opportunities to serve; building enduring capacity; and embracing innovation.

³ The SOW states in one section that “the contractor *shall* conduct an analysis of the costs and benefits of the organizations’ grant funded activities in the case studies and calculate a ROI.” (emphasis added). Elsewhere the SOW repeats the mandatory character of the economic analysis: “Abt shall develop and produce the case studies, including but not limited to: Conducting an analysis of the costs and benefits of each organization’s grant funded activities in the case studies and calculating a ROI.” Another section of the SOW states that the ROI is not required in every case: “While producing information on the ROI is important, the agency recognizes that not all high-performing grantees will have sufficient information to conduct the analysis. In these cases, high-performing grantees should still be included for the case studies without the ROI analysis. The calculation of ROI is a preferred, but not a required component of the case study for every organization.” Together, these clauses clearly indicated that the contractor was to calculate an ROI for at least some of the case studies. It did not do so.

But the Corporation created an even greater disincentive by immediately (within ten days) issuing another task order to Abt, authorizing an expenditure of up to \$401,469, to produce a Valuation on Investment Tool (VOI). The VOI tool was intended to enable grantees to establish the market value of their grant-funded programs (*i.e.*, what it would cost a third party to deliver the same services). By contrast, the ROI calculation in the prior task order encompassed not only the market value of the programs but also a measure of their social impact. The Corporation's willingness to pay more for the simpler VOI tool than for case studies that included the complex ROI calculation virtually invited Abt to avoid the more difficult and less remunerative task. Although the Corporation ultimately paid Abt \$301,562 to produce the VOI, we found no evidence that the tool has been distributed to grantees or utilized by the Corporation.

Moreover, one of the four case studies produced by Abt concerned a grant program that was being discontinued. The Corporation learned in April 2011 that Congress declined to appropriate funds for the Learn and Serve America program (LSA). Abt had not yet conducted a site visit or interviewed the selected LSA grantee. But instead of eliminating LSA from the study and focusing Abt's work on ongoing activities, the Corporation committed additional resources for fieldwork, analysis and writing about a program that the Corporation knew to have no future.⁴

The value of the case study project is open to serious question in other respects as well. As contemplated by the SOW, much of the report describes the mission, history and development of each grantee. Information of this type is generally available from an organization's own website, promotional materials and other publications. Only a small part of the report addresses the grantees' common management practices, with varying degrees of specificity.

The Corporation has not evaluated whether grantees made any use of the case study report or changed their practices as a result.⁵ Although the report appears in the Corporation's online research library, the Corporation has never sought to determine how many users have accessed it and advised our auditors that obtaining this information would be overly burdensome. There is thus no evidence that the Corporation realized the value of its \$312,005 investment in the case studies. Indeed, the Corporation did not evaluate after the fact whether this expenditure represented a prudent use of taxpayer funds.

⁴ Eleven of the 41 pages of the case study report pertain to LSA.

⁵ The only use that the Corporation could identify was that one of the studied grantees posted the report on its website. The report itself does not recommend specific actions and describes its purpose as "an opportunity to reflect on our work, see commonalities and differences, and consider how we can build on successes and learn from our failures to move forward."

2. Grant Thornton: Internal controls support

In the critical area of risk management and internal controls, the Corporation paid Grant Thornton (GT) \$111,857 for four specific deliverables, received only two of them and made no use of the two that it received. The Internal Control and Analysis Director served as the Task Manager for this task order, but was not formally appointed as the COR. GT was to produce the following four items:

1. A Risk and Controls Matrix (RACM), a chart that identifies the recommended key controls, the control objectives, the risks, the type of control (preventive or detective), nature of the control (automated or manual) and management's assessment of its effectiveness, for each of the Corporation's 22 assessable units;
2. Flowcharts to illustrate key control processes;
3. Recommendations for standards on key control documentation, e.g., format and content; and
4. A quality review of the Corporation's internal assessment and testing of a high-risk assessable unit (in this case, the VISTA program).

GT completed only the first and third of these items. The second deliverable was cancelled by the Task Manager, without notifying the CO. GT could not provide the fourth item because the Corporation failed to complete its internal review of the VISTA program during the task order's period of performance. GT advised the Task Manager that it instead reviewed the elements that the Corporation would consider in its internal assessment.

The Task Manager did not use the two items delivered by the contractor, or even share them with the senior management committee⁶ responsible for reviewing internal controls, because "they did not meet [his] expectations." He simply halted further work on the task order, with no attempt to recover the \$111,857 paid by the Corporation for work that he considered to be unsatisfactory and of no use. We saw no evidence that any of his supervisors inquired about either the expense or the work that GT performed. As the Task Manager admitted, the Corporation thus spent more than \$111,000 for no benefit.

Precisely to avoid this kind of waste, Federal regulations make clear that unsatisfactory work should be rejected and the contractor required to make good on its obligations:

FAR 46.407 *Nonconforming supplies or services* states:

⁶ A similar situation occurred in April 2010 when the Corporation hired GT to perform a review of its internal controls for the Education Award Program. The Corporation's senior risk control committee, known as the Senior Assessment Team, did not know that such a review was underway, nor did it receive the resulting report until advised of its existence by OIG.

(a) The contracting officer should reject supplies or services not conforming in all respects to contract requirements. . . . (b) The contracting officer ordinarily must give the contractor an opportunity to correct or replace nonconforming supplies or services when this can be accomplished within the required delivery schedule. Unless the contract specifies otherwise (as may be the case in some cost-reimbursement contracts), correction or replacement must be without additional cost to the government.

The Task Manager in this case was unable to articulate what expectations were unmet or how those expectations were communicated. The SOW did not describe these expectations with precision or set forth standards against which the work product would be evaluated. No supervisor was required to approve the project design, description or evaluation criteria, and the Task Manager was not held accountable for the poor planning that resulted in the waste of resources.⁷

B. Significant investments were lost because of midstream cancellation of professional services projects.

Two projects relating to longitudinal studies—one for LSA and one for AmeriCorps—were cancelled during performance, without documented justification or approval. In each of these cases, the Program Office directed the contractor to perform services outside the scope of the task order. Abt was engaged for both of these assignments.

1. LSA Service Learning Study Project: Abt

The Serve America Act required the Corporation to engage a contractor for a 10-year longitudinal study on the impact of service-learning activities on students, including the degree to which service learning increased: academic achievement, engagement, graduation rates, participation in national service, public service, the non-profit sector and volunteer activities. See Section 1205 of the Edward M. Kennedy Serve America Act of 2010. Abt had begun the work of developing and planning for such a study in 2009, prior to the law's enactment.

Valued at approximately \$1 million, the task order within our sample authorized additional work by Abt to design and implement an evaluation of service learning programs. The assignment was to develop a methodology for the study, including identifying outcome measures, designing data collection instruments and procedures, and recruiting study sites. The research design was required to undergo review by the Office of Management and Budget (OMB). The project contemplated the following

⁷ The Task Manager left the Corporation's employment as a result of a Reduction in Force in FY 2013.

deliverables: a strategy/plan for the evaluation; specification outcome measures; data collection instruments and protocols for their use; and a roster of schools to serve as sites. Abt was also responsible for facilitating clearance by OMB. OMB expressed serious reservations about the proposed methodology, and the Corporation ultimately withdrew the proposal but continued discussions with OMB in early 2011 about the design of such a study. By that time, the majority of the funds had been expended. When the Corporation directed Abt to suspend further work on the study after Congress eliminated funding for the LSA program in April 2011, \$708,470 had already been spent. In addition to concerns about the new proposed study, OMB suggested that, given the effective termination of LSA, the Corporation might better spend the remaining funds on other priorities. The Corporation did not pursue the new study and, in June 2011, the Corporation decided to terminate its BPA with Abt for the government's convenience.⁸ Cancellation of the BPA did not, however, automatically terminate work on existing task orders, and the Corporation continued to spend funds on evaluation of service learning. At about the same time, the Corporation outlined another possible study, focusing on whether teachers trained in service learning outperformed those without such training. OMB expressed reservations about the difficulty of measuring such impact and suggested that, given the effective termination of LSA, the Corporation might better spend the remaining funds on other priorities.

In July 2011, along with advising Abt that it was cancelling the study of service learning, the Corporation directed Abt to prepare instead a Service-Learning Evaluation Toolkit.⁹ The project represented an attempt to capitalize on Abt's evaluation design work and was intended to be a resource for educators and others interested in evaluating service learning. The toolkit was delivered on September 16, 2011 and was posted on the CNCS website. The Corporation paid Abt an additional \$65,331 for this product but has been unable to produce any evidence of its use or value.

The Corporation realized little or no benefit from the expenditure of funds on the original study design. Although in hindsight those funds could have been put to better use, the Corporation is not responsible because it could not have anticipated the decision by Congress to eliminate funding for LSA. We do, however, question the decision to invest further funds in the Service-Learning Evaluation Toolkit. The Corporation appears to have ordered this deliverable without authorization from OPS and without any

⁸ The practice of entering into BPAs and the type of services for which they are appropriate are beyond the scope of this evaluation. However, we note substantial questions about the prudence of a multi-year contract that directs a broad array of research projects to a single firm, particularly when the projects cost as much as \$1 million and the contractor is paid on a time-and-materials basis. OIG believes that the Corporation was well advised to terminate the Abt BPA and should instead preserve the option to obtain research services on a competitive basis from multiple firm

⁹ Although the \$1 million task order had expired in April 2011, a follow-on task order in the amount of \$671,999 was already in place, and Abt began to bill against it in May 2011.

meaningful plans for its use. Ironically, in an effort to realize value from the costs sunk into the terminated study, the Corporation incurred further costs without a corresponding benefit.

2. Later Phases of the AmeriCorps Longitudinal Study: Abt

The fourth phase of a longitudinal study of AmeriCorps volunteers that began in 1999¹⁰ was cancelled before completion. The study was intended to assess the long-term impact of AmeriCorps participation on members' civic engagement, education, employment and life skills; from 2006 until late 2010, the Corporation spent nearly \$3 million on it.

The task order that we reviewed contemplated payment of \$239,856 for planning/designing the next phase of the study and maintaining contact with the sample population. The work was to take place during a one-year period beginning September 1, 2010. Six weeks into this period, the Corporation's Office of Strategy recommended that the study be discontinued/phased out because of changing priorities (e.g., a shift in focus from member impacts to community impacts, coupled with a new Corporation-wide research and evaluation strategy that would require all available resources) and methodological concerns (e.g., unanswered questions about non-responders, difficulties in maintaining contact with the population and limitations in the design of the original study).

According to Abt, the Program Office directed the contractor to discontinue work on the longitudinal study and instead undertake a different study of the satisfaction, growth and development of current AmeriCorps members. Abt interviewed staff and members at four longstanding, well funded grantees and submitted one memorandum documenting its findings and a second identifying common themes. The work was completed in August 2011, and Abt was paid \$101,507. The two memoranda were addressed to the COR for the project. To the best of her knowledge, the Corporation never used these memoranda for any purpose.

Several irregularities in this process are apparent. A study of current member satisfaction was outside the scope of the longitudinal study, and applicable regulations prohibit such a fundamental change in the scope of a task order. The proper course would have been to have the CO terminate the original task order and issue a separate task order for any new assignment. But cancelling a task order executed during the

¹⁰ Phase I consisted of planning. In Phase II, the researchers administered the baseline (1999-2000), post-program (2000-2001), and post-program supplemental surveys (2003-2004), and released the *Serving Country and Community: A Longitudinal Study of Service in AmeriCorps Early Findings Report*. Phase III, conducted in 2006-2008, consisted further surveys and reporting, *Measuring the Eight-Year Impact of AmeriCorps on Alumni*. The Phase IV task order contemplated further contact with the study sample and planning for the next phase of the project.

prior year would have required the Corporation to return the prior year's unspent funds to the Treasury and to pay for the new project with current year (FY 2011) funds. Instead, the Program Office bypassed OPS and improperly redirected the funds. Although the substituted memoranda were addressed to the COR, she stated that she was not consulted regarding the change in scope and did not authorize the deviation in deliverables. She believes that senior managers in the AmeriCorps Program and the Strategy Office were responsible. None of the current or former Corporation personnel that we interviewed could shed light on the decision, and the Corporation could produce no documentation of its justification. It appears that the Program Office commissioned the member satisfaction studies as a way to spend the funds, instead of returning them to the taxpayers.

The decision to invest in studies of current members also appears inconsistent with the new priorities cited by the Strategy Office as reasons for ending the longitudinal study. Like the cancelled longitudinal study, these studies focused exclusively on AmeriCorps members rather than community impacts and were limited to a single program. Moreover, the speed with which the Corporation reached this decision offered little opportunity for reflection and planning.

Abt's memoranda themselves suggest that the member satisfaction study offered little value. As the contractor noted, the grantees in the study were not representative of the larger population of AmeriCorps grantees, and no generalized conclusions could be drawn from the findings. Those "findings" consist largely of descriptions of the programs, coupled with enthusiastic reviews from members. The favorable reviews were hardly surprising; as Abt acknowledged in one of the memoranda, the program directors handpicked the members to be interviewed. The second memorandum consists of two pages of commonplace, anecdotal observations, including that the weak economy was spurring increased applications and longer service terms, and that grantees were having difficulty meeting match requirements. AmeriCorps leadership was certainly well aware of these facts independent of Abt's study.

Finally, we found no evidence that the memoranda were ever distributed or used for any purpose, nor were they posted in the research section of the Corporation's website. Perhaps this is not surprising; the results were relevant only to the four grantees studied, and neither memorandum contains recommendations or suggestions for further action. Current AmeriCorps leaders were unfamiliar with these reports and could not locate copies of them. OIG obtained them only by requesting copies from Abt.

C. The Corporation paid for undelivered work.

We found several instances in which contractors rendered less than their contracts contemplated but received payment without appropriate adjustment for undelivered work. The COs and CORs do not have a standard process to track and report on the progress of contractors and to adjust payments accordingly. Examples include:

- The August Jackson (AJ) \$339,976 Impact Video task order required the contractor to develop impact videos for six focus areas consistent with the Corporation's strategic plan, produce multiple Public Service Announcements (PSAs) of 15, 30 and 60 seconds in length, conduct onsite video shoots in four markets, and provide Spanish language versions of the PSAs and impact videos. AJ developed impact videos for only three focus areas, created no 15-second PSAs; shot onsite video in a single market and produced no Spanish versions of the videos and PSAs. The Corporation nevertheless paid AJ the full contract amount.
- The Corporation paid GMMB \$2,500 in advance to train five staff members in updates to an electronic database used for media monitoring and distribution of news clips relating to the Corporation and its programs. Until our fieldwork, the Corporation was unaware that the training for which it paid had never taken place. This incident is discussed in greater detail in Finding 3.

The significant waste and mismanagement that we found resulted from (1) an absence of rigorous planning, analysis, justification and oversight of the decision to engage consultant services and the nature of the assignment; (2) lack of monitoring and managing contractor performance and work product; (3) wholesale disregard of internal controls and regulatory requirements intended to protect against waste, including abuse of authority; and (4) little or no accountability for those responsible for wasting hundreds of thousands of dollars.

Planning is an integral part of the procurement process. It should produce a clear definition of the purpose of the consulting engagement, the requirements of the assignment and the expected deliverables. It is at the planning stage that the initiator should articulate the justification for the project, the specific uses to be made of the deliverables, and how the success or value of the project will be determined. Documenting these decisions not only creates a record that survives the departure of key personnel, it also encourages care and precision and facilitates accountability.

The Corporation needs a method of tracking contractor performance. This includes involving the CO in discussions about the progress of the engagement, scope modifications and the proper execution of amendments. It includes clear records of the receipt or cancellation of deliverables. The Program Offices must understand the limits of their authority. Preparation of and adherence to the required monitoring plans is also key.

Finally, there should be follow-up at the conclusion of a project to evaluate whether the Corporation received the expected benefits from the contracted services. Any lessons learned should be shared widely throughout the Corporation and used to inform future projects. Where funds are wasted due to poor planning and lax oversight of consulting engagements, the responsible individuals should be held accountable, just as those who perform efficiently at these tasks should be recognized and rewarded.

Given the amounts at stake and the serious deficiencies that we found, the procurement area warrants active engagement by the Corporation's senior management. Barring projects for which OMB approval is required, the program offices operate virtually autonomously in engaging consulting services. We believe that planning would be more rigorous and accountability would improve if, for projects of certain types or above a certain dollar threshold, a program office were required to satisfy senior Corporation managers that a proposed project is well designed and represents a prudent investment of scarce public funds and that its success will be demonstrable.

2. Program officials exceeded their authority and violated Federal procurement requirements with impunity by directing consultants to deviate from contract terms.

Although only a CO is authorized to execute, modify or terminate a contract, CORs and other program office staff members improperly altered or cancelled deliverable requirements and implemented other key changes without CO approval in 67 percent of the task orders that we reviewed. In these instances, the Corporation could not locate any written justification of the modification or the decision process.

Applicable regulations make clear that "the COR has no authority to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract nor in any way direct the contractor or its subcontractors to operate in conflict with the contract terms and conditions" FAR 1.602-2(5). Those responsibilities lie with the CO, whom the COR should have promptly notified in writing of any noncompliance, deviation in performance, failure to make progress, or need for modification of the contract. Bypassing the COs deprived the Corporation of the oversight and protections that OPS is supposed to provide, yet the CORs and others felt free to do so without consequence.

Unauthorized modifications included:

- In lieu of contracted-for Senior Corps Marketing & Grantee Support (PSAs, DVDs and other deliverables), the COR directed AJ to work on a Senior Corps virtual conference about performance measures;

- The COR directing the GT Internal Control Support contract cancelled a deliverable because of his dissatisfaction with prior work product, and modified another deliverable because the Corporation failed to complete the necessary preparatory work, all without informing the CO or executing proper procurement documents to effect the change;
- After the Strategy Office expressed reservations about the methodology proposed for the AmeriCorps Longitudinal Study, the Program Office directed Abt instead to prepare case studies of current member satisfaction. The current member case studies were outside the scope of the task order relating to the design of the longitudinal study and maintenance of the original sampled population. The Program Office ordered this change without the knowledge and approval of OPS and without memorializing the change.
- The Program Office directed Abt to stop working on the LSA longitudinal study and instead develop a toolkit for others to use in researching service learning. The toolkit had a different audience and a different purpose from the study.¹¹ The CO was not aware of the deviation and did not authorize the change; and
- The COR directing the GMMB Martin Luther King Day of Service task order eliminated the contracted services relating to securing media partners and instead ordered a different labor effort. The modification request was presented to the CO only after the conclusion of the MLK events, when almost all of the work had been completed. Presented with a *fait accompli*, the CO acquiesced and did not take any further action regarding the COR's unauthorized instructions to the contractor.

When staff members exceed their authority by directing deviations from the task orders, and the Corporation is not obliged to honor their unauthorized commitments. See FAR 1.602-3(a) (government not bound by an agreement by a government representative who lacks authority to enter into that agreement). The contractors were well aware that only the CO could modify the terms of their task orders; each of the task orders and/or BPAs so stated. While the change to the MLK Day of Service task order was ultimately ratified by a CO, we found no evidence that any of the other changes were ratified. Accordingly, any payments for the unauthorized services were improper.

OPS was unaware of these unauthorized commitments, in part because the COs did not take effective action to remain informed about the status of procurements for which they were responsible. COs should actively track their respective contract portfolios and initiate contact with the COR, if they do not routinely receive information about the progress of the tasks.

¹¹ To the extent that OMB and the Corporation were not satisfied with Abt's methodology, the value of a toolkit based on that methodology was questionable.

3. The Corporation abdicated its fiduciary responsibility regarding payments to consultants and other contract monitoring.

The Corporation paid the overwhelming majority of the costs in our sample—\$2,427,463 or 81 percent of the total with at best minimal support. CORs approved these labor charges based on summary invoices, without obtaining timekeeping records to validate the claimed hours. There was thus no meaningful scrutiny or verification of the direct labor hours charged to the government. The invoice approval process was so lax that the Corporation had little, if any, protection from fraud, overbilling, waste and abuse.

Review of contractor timesheets is essential to verify and substantiate labor charges, by comparing the invoiced hours to the hours recorded by the individuals who provided the services. Neither the CORs nor OPS could provide any reason for ignoring this critical safeguard. The risks of this laxity are obvious, particularly for a professional services contract in which the contractor is paid by the hour:

A time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, appropriate government surveillance of contractor performance is required to give reasonable assurance that efficient methods and effective costs are being used.

FAR 16.601(b)(1) *Time and Materials Contracts*. For this reason, applicable regulations expressly require a contractor to substantiate the hours billed (including by subcontractors) with evidence of actual payment to employees and individual daily job timekeeping records. FAR 52.232-7, *Payments under Time-and-Materials and Labor-Hour Contracts*.¹²

Support for the \$1,349,245 paid to GMMB and August Jackson was particularly thin, because their invoices did not show who provided the services. The only labor information furnished to the COR on an invoice was a single page aggregating hours by generic job title, hourly rates and total hours billed. The documents do not disclose, for example, whether the 324.75 hours charged by a GMMB Vice President on the September 20, 2011 invoice reflect the work of a single individual, or whether the

¹² The lack of scrutiny of payments to contractors is a longstanding deficiency at the Corporation, having been highlighted in prior OIG audits. See Audit of the Corporation's Procurement and Contracting Processes and Procedures, OIG Audit Report Number 98-24, August 7, 1998; Follow-Up Audit of the Corporation's Procurement Operations, OIG Audit Report Number 00-12, June 6, 2000; Audit of Corporation for National and Community Service Office of Procurement Services, OIG Report Number 06-40, June 9, 2006. This history and current government-wide initiatives to prevent and detect improper payments make it incumbent on the Corporation to adopt and maintain more rigorous accountability when obtaining professional services.

Corporation may have been paying unnecessarily to familiarize many individuals with the assignment. Similarly, it is impossible to determine whether all of the billed services were provided by individuals whom the COR had confirmed were qualified to work on the project.¹³ Generic labor charges also make it more difficult for the COR to compare the bill against his or her personal knowledge of the activities during the billing period.

Although the GMMB COR asserted that she knew which contractor staff provided services, she was unable to supply that information upon request. Her files did not contain it, and she had to query the contractor in order to answer questions about labor charges on the invoices that she had approved. When asked about the basis on which she approved the invoices, she stated repeatedly that, due to a long working relationship, she simply “trusted” GMMB to bill honestly and accurately.

The COR relied excessively on GMMB in other respects as well. For example, she allowed the contractor to add 50 individuals to the project and approved their labor charges without ascertaining that they met contractually specified qualifications. Here, too, the COR stated that she trusted the contractor to confirm the qualifications of the staff that it assigned.

Most disturbingly, the COR did not know when or if certain paid-for services were actually delivered. Specifically, in February 2013, she approved an invoice for \$2,500 to train five External Affairs employees to use a software upgrade. The training was to be completed by the end of 2013. When our auditors asked in November 2013 when the training had taken place and who attended, the COR advised that the five employees who completed it were no longer employed by the Corporation. Pressed for more specifics, she contacted GMMB and learned, mere weeks from the contract’s end, that the paid-for training had not been conducted. Having spent the money, neither External Affairs nor OPS took steps to ensure that the Corporation received the benefits. Neither the COR nor the CO could explain how the Corporation lost track of this contract or why the Corporation agreed to pay for these services in advance.¹⁴

¹³ FAR 52.232-7 *Payments under Time-and-Materials and Labor-Hour Contracts* (a) Hourly rate (5) requires the Contractor to substantiate vouchers . . . by (ii) [r]ecords that verify the employees meet the qualifications for the labor categories specified in the contract. It is the responsibility of the Corporation to ensure that billed personnel meet the qualifications for the labor categories specified in the contract.

¹⁴ The transaction did not meet the criteria for prepaid expenses set forth in FAR 32-202-1(b) *Authorization*, which provides:

Commercial interim payments and commercial advance payments may be made under the following circumstances—

- (1) The contract item financed is a commercial supply or service;
- (2) The contract price exceeds the simplified acquisition threshold;

The SOW issued in connection with Senior Week 2011 contemplated that GMMB would provide media outreach and support to achieve local and national media attention.¹⁵ Nevertheless, the COR used it as a vehicle to pay GMMB to purchase \$16,000 of first aid kits and lip balm to be distributed at an AARP conference attended by Senior Corps officials. The COR identified the vendor and directed GMMB to make contact. GMMB was not otherwise engaged in connection with the AARP conference. The COR thus used GMMB as a conduit to purchase the items directly and not competitively, and in so doing circumvented procurement regulations. At no point did the COR inform the CO. The invoices do not disclose how much GMMB was paid to procure these items.

To secure favorable pricing, FAR 6.101 requires all Federal agencies to use competition in acquisitions to the maximum extent possible. The Corporation's own policy directs COs to seek out competitive opportunities when procuring goods and services valued at more than \$3,000. Here, however, it does not appear that a competitive procurement was even considered. A task order issued for one purpose should not be used for unrelated goods and services, particularly as a means to avoid the careful scrutiny that accompanies competitive procurements. The justification and process for selecting the vendor was not documented and maintained in the contract files, suggesting that the vendor was a sole source selection.

CORs are gatekeepers in ensuring that the Corporation receives value for each contract payment. The individuals covered by our audit did not fulfill this critical responsibility. None of them had sufficient training. Three of the five did not receive the required 40 hours of entry-level training in contract management competencies, such as planning and evaluating, attention to detail, decision-making and project management. Of the two who completed their initial training, neither maintained the required minimum 40

(3) The contracting officer determines that it is appropriate or customary in the commercial marketplace to make financing payments for the item;

(4) Authorizing this form of contract financing is in the best interest of the Government (see paragraph (e) of this subsection);

(5) Adequate security is obtained (see 32.202-4);

(6) Prior to any performance of work under the contract, the aggregate of commercial advance payments shall not exceed 15 percent of the contract price;

(7) The contract is awarded on the basis of competitive procedures or, if only one offer is solicited, adequate consideration is obtained (based on the time value of the additional financing to be provided) if the financing is expected to be substantially more advantageous to the offeror than the offeror's normal method of customer financing; and

(8) The contracting officer obtains concurrence from the payment office concerning liquidation provisions when required by 32.206(e).

¹⁵ According to the SOW, media outreach includes developing media strategy, distributing news releases, producing webinars and an online toolkit and developing a print PSA campaign.

hours of training every two years, violating FAR 1.602-2(d)(2)&(3).¹⁶ They were not current in their skills or refreshed about their responsibilities.

In addition to skills deficiencies, the GMMB COR consistently demonstrated, and expressed openly to the auditors, complete deference to a contractor that she chose to trust and unwillingness to provide active oversight. This complaisance is inconsistent with strong accountability. We believe that greater energy and independence is necessary to protect the Corporation and ensure that it receives the value for which it has contracted.

Finally, we found that five task orders were not assigned an official COR, as required by FAR 1.602-2(d)(6)&(7). The same CO was responsible for each of these task orders. As a result, she bore the entire legal responsibility for overseeing and managing the performance of these projects¹⁷ but was disengaged from the contractor's day-to-day performance. For example, she had no idea that the task manager was dissatisfied with GT's internal control work product, cancelled one deliverable and modified another orally. We found no evidence that this CO provided any meaningful oversight or performance management.

4. Procurement officers did not adequately review contractor proposals to protect the government's interests.

To ensure that the government does not overpay for goods or services, COs are charged with reviewing the fairness and reasonableness of cost and pricing data.¹⁸ Although most of the prime contractors' cost and pricing data was established in the BPA, the CO should have reviewed the fairness and reasonableness of other direct and subcontracting costs added at the task order level. We noted three instances in which the CO failed to evaluate charges for subcontracting and indirect rates. For example, a subcontractor on one of the GMMB task orders charged the Corporation ten percent

¹⁶ FAR 1.602-2(d)(2)&(3) states that "[a] COR . . . Shall be certified and maintain certification in accordance with the current Office of Management and Budget memorandum on the Federal Acquisition Certification for Contracting Officer Representatives (FAC-COR) guidance" and "Shall be qualified by training and experience commensurate with the responsibilities to be delegated in accordance with agency procedures." All the CORs we reviewed were classified at Level II. According to FAC-COR, Level II CORs are required to have 40 hours of training every two years and one (1) year of previous COR experience.

¹⁷ Unless the CO retains and executes the COR duties, FAR 1.602-2(d) requires the CO to designate a COR on all contracts (other than firm fixed-price contracts) and to specify the COR's responsibilities and authorities in writing.

¹⁸ FAR 15.404-1 *Proposal analysis techniques*, provides:

(a) *General*. The objective of proposal analysis is to ensure that the final agreed-to price is fair and reasonable.

(1) The CO is responsible for evaluating the reasonableness of the offered prices

(\$6,953) more than its negotiated General Service Agency (GSA) rates for the same services.¹⁹ The CO did not review the subcontractor's cost proposal and did not know that the subcontractor had an established GSA rate. Another subcontractor on the same task order was also on the GSA schedule, unbeknownst to the CO. Likewise, she could not explain why using three subcontractors was efficient or why the Corporation did not obtain the services directly from the subcontractor(s), two of whom had previously provided services to the Corporation. She simply approved the proposal without the required analysis or validation.

On two Abt task orders, another CO relied on the Strategy Office to validate the pricing. The CO emailed the cost proposal to the Strategy Office, which responded that the offer was acceptable; it is not clear that the Strategy Office understood that the CO expected it to validate the pricing. While some elements of the proposal were covered by Abt's established GSA rate, its "Other Indirect Cost" for information technology and communications was not covered by the GSA schedule and was therefore not presumptively reasonable. Nothing in the contract file suggests that the CO obtained Abt's Negotiated Indirect Cost Rate Agreement or Cost Accounting Standards disclosure statement to verify the accuracy and reasonableness of the proposed Other Indirect Costs.

Although the excess costs were fortunately modest in these cases, the risk exposure of failing to analyze cost and pricing data is potentially significant. OPS lacks the skill, experience and quality control procedures to scrutinize cost proposals. Prior OIG audit reports have also noted inadequate evaluation of bids and proposals. If the Corporation does not meaningfully evaluate proposed procurement costs, it will likely overpay for services.

COs also did not consult the government-wide Excluded Parties List²⁰ to determine whether proposed subcontractors were suspended or debarred, as required by FAR 9.405 and OPS's internal procurement policy. No record of any such review appears in the contract's procurement file. Failure to perform this search increases the Corporation's risk of entering into contracts with vendors who lack business integrity, have failed to fulfill previous contracts or have violated Federal law.²¹ The Corporation is fortunate that none of the subcontractors was suspended or debarred, but this important integrity safeguard should not be left to chance.

Moreover, the CO did not obtain the required subcontracting plan from Abt in connection with the LSA Service Learning task order. In fact, the Corporation exercised little or no oversight of the subcontractors in general. Without monitoring subcontractors, the Corporation cannot properly enforce FAR 19.705-7, which allows federal agencies to collect liquidated damages when a contractor fails to make a good faith effort to comply with a subcontracting plan.

¹⁹ GSA rates are negotiated discounted rates established between GSA and the commercial firm.

²⁰ The Excluded Parties List System in effect at the time of this task order has since been incorporated into the System for Awards Management (SAM).

²¹ Fortunately, none of the subcontractors were debarred or suspended.

5. Chronic documentation problems interfere with the transparency and accountability of the Corporation's contractual actions.

Federal regulations require that procurement files contain a complete history of each transaction, including completion of certain required safeguards. See generally FAR 4.801, 4.802, 4.803 (prescribing contents of files); see *also* Corporation Policies: Chapter 6.2 Contract Management. The Corporation was unable to provide complete contract administration documentation for any of the 12 task orders that we reviewed. In some cases, the lack of documentation reflects a failure to take critical administrative actions, while in others, actions that occurred were not memorialized.

Contract files lacked basic documents such as acquisition plans, quality assurance surveillance plans and subcontracting plans. Such plans are mandated to ensure sufficient forethought before taxpayer funds are committed; their absence here reflects the lack of planning that contributed to the waste found by auditors. Similarly, the lack of COR appointment letters in certain of the files indicates that no one in the office requesting the services was legally responsible or authorized to supervise the contractors.

Because program offices exceeded their authority and bypassed OPS, the procurement files do not document the reasons for critical decisions or identify the persons responsible for unauthorized changes to the scope and nature of consulting assignments. Neither were the CORs able to provide such documents. The Corporation's failure to execute proper modifications and terminations of task orders has significant legal implications and exposes the Corporation to unnecessary risk. See *generally* FAR 4.801)(b)(4) (contract files should be sufficiently complete to furnish essential facts in the event of litigation).

Without complete information, it is also difficult to maintain accountability, and the lack of complete files in this case impeded our oversight. See *generally* FAR 4.801)(b)(3) and (4) (contract files should provide sufficient basis for reviews and investigations, including by Congress). OIG was required to interview former Corporation officials and to seek from the contractors and from OMB basic information and documentation regarding significant decisions and events in the procurements under review. It was often impossible to reconstruct key events and decisions and to identify the individuals responsible. These constraints prolonged our fieldwork and increased our expenses.

Deficiencies in contract file management are longstanding, having been repeatedly noted in our audit work over the last 16 years. The Corporation should take prompt action to enforce the FAR's provisions and the Corporation's own requirements regarding procurement documentation. Failure to do so exposes the Corporation to significant financial risk, creates conditions conducive to fraud, impedes accountability and makes OIG oversight more difficult. It impairs the ability of the Corporation to take timely and effective action to protect the taxpayers' interests.

V. Recommendations:

The Corporation should:

Pre-Contract Activities:

1. Establish a standardized decision process for the use of consulting services throughout the Corporation, to include consideration of:
 - a. The need for the project;
 - b. Specificity and suitability of its design, including, if available, input from subject matter experts within the Corporation or elsewhere;
 - c. The intended users;
 - d. Any alternative means of accomplishing the project's objective (e.g., using existing case studies of similar programs, relying on outside research, etc.), and what has been done to investigate such alternatives;
 - e. How the progress of the project will be monitored and by whom;
 - f. How the quality, value and success of the project will be measured and evaluated, relative to its cost;
 - g. Whether this is the best use of the Corporation's resources, in view of competing needs and priorities and the Corporation's overall strategy and objectives; and
 - h. How the project links to the Corporation's strategic plan and the strategic objectives of the requesting office.

The mere availability of funds in a particular office's budget should not, without more, justify the expenditure of funds for the particular project under consideration.

2. Consulting projects expected to cost more than a pre-established amount should require approval by a central review committee that includes senior management. The information set forth in Recommendation 1 should be presented to the committee. OPS should be represented on the committee or serve in an advisory capacity.
3. Require Program Office staff to consult with OPS early in the acquisition cycle regarding performance requirements and the intended use of work products.

4. Develop clear and specific SOWs that provide a roadmap for contract administration and criteria for success. If the Corporation does not have the expertise to provide such specificity, consider using alternative approaches, such as a Statement of Objectives.
5. Enforce the FAR requirement that COs develop and implement Quality Assurance Surveillance Plans (QASPs) for effective monitoring of contract costs, compliance and performance, to be approved by the COR and jointly administered. The QASP should include a means to track the submission, review and acceptance of deliverables, as well as specific milestones and/or a schedule for joint progress reviews by the COR and the CO. It should also address how the Corporation will determine whether it received what it paid for and evaluate the quality and impact of the work product.
6. Require meaningful review of contractor and subcontractor cost proposals, with adequate documentation of the review and its conclusions in the contract file. Develop procedures to guide staff in determining the types and sources of information to be considered.

Documentation:

7. Maintain complete contract files, consistent with FAR requirements. The contract administration file should be updated throughout the procurement cycle and maintained on a current basis.
8. Require the Program Office to maintain documentation regarding the decision steps in Recommendations 1 and 2. The file should be readily available for review by OPS and by any parties exercising supervision and oversight, including OIG.
9. As part of the Corporation's evaluation of its internal controls pursuant to Office of Management and Budget Circular A-123, conduct periodic random reviews of the contract administration files for compliance with documentation requirements and oversight of contractor performance. These reviews can occur less frequently once the Corporation achieves and maintains an acceptable level of compliance.
10. Create a centralized tool to track all deliverables, to be reviewed on a periodic basis.

Contract Administration Activities:

11. Provide better training and guidance for CORs and their supervisors concerning the limitations of their authority, the need for prompt communications with OPS concerning any proposed deviations from task orders and the requirement that all such changes be authorized in writing by the CO before implementing modifications in the scope of a project.
12. Pay contractors only for those tasks successfully completed or for measurable progress as defined in the contract. In the event of dissatisfaction with the work, no payments should be made until the issues are satisfactorily resolved.
13. Require that COs review, in advance, the professional qualifications of all contractor staff intended to provide services, including those added to the project in progress, to confirm that they meet the labor category qualifications.
14. Require that COs determine in advance whether a potential contractor or subcontractor is debarred or suspended from doing business with the Federal government. Reiterate to COs that this obligation cannot be delegated.
15. Comply with the QASP and record that compliance.
16. Maintain and adhere to the improved contracting practices adopted by OPS during this audit.
17. Establish a clear channel for OPS to communicate to program office supervisors (and, if necessary to elevate to senior management) any instances of noncompliance or lack of cooperation.

Post-Contract Activities:

18. Conduct a post-performance review of each consulting project to assess lessons learned, determine whether project objectives were met, and to evaluate the usefulness of the deliverables, success of the project and impact of the work product. This review should include a cost-benefit analysis. The results of this review should be used to maintain accountability and to improve the procurement process.

Procurement Oversight and Accountability

19. Evaluate whether procurement is susceptible to significant improper payments within the meaning of the Improper Payments Elimination and Recovery Act (IPERA), including payments for unauthorized commitments and for ineligible goods or services. If so, include procurement in the Corporation's annual IPERA assessment and estimate and recover the improper payments.
20. Review all consulting contracts and task orders exceeding \$100,000 awarded or under performance in the last 12 months, to determine the broader applicability of the findings in this report, and share the results with the OIG.
21. Closer supervision, better guidance and specific evaluation of CORs and other non-OPS staff members responsible for procurement of consulting services regarding:
 - a. Involvement of COs before any contract modifications;
 - b. Clear expectations for rigorous oversight of performance, costs and payments to contractors;
 - c. Cooperation with OPS on joint contract administration.

Supervisors should be encouraged to inform themselves about staff performance by consulting with other actors in the procurement process.

22. Active support by the Corporation's senior management for sound procurement practices.

Specific Remedial Actions:

23. Remove the warrant for the current GMMB CO until she demonstrates the willingness, ability and independence to provide rigorous oversight.
24. Recover any amounts paid for unauthorized commitments, including:
 - a. The \$65,331 that Abt received for the Service Learning Evaluation Toolkit described in Finding 1.B.1;
 - b. Amounts received by Abt for the study of then-current AmeriCorps members' satisfaction with the program, described in Finding 1.B.2; and
 - c. The \$16,000 received by GMMB to purchase first aid kits and lip balm distributed at the AARP conference described in Finding 3.

VI. Objectives, Scope, and Methodology

Our objectives were: to determine whether the Corporation received and used the contracted services requested; and to determine whether contract administration was sound and in compliance with Federal laws, regulations and Corporation policy. In order to meet our objective, we reviewed the FAR and Corporation's policies and procedures, as well as the OPS contract files for BPAs and task orders within our sample. Within the Corporation, auditors interviewed representatives of the following offices: OPS, External Affairs, Office of the Chief Financial Officer, AmeriCorps and the Strategy Office. We also interviewed employees of contractors GMMB, Abt and GT who provided services on these task orders and obtained documents from them. In addition, we interviewed two former Corporation senior executives (the Chief Strategy Officer and the Director for LSA), as well as the COR for the AmeriCorps Longitudinal Study Phase IV task order. We obtained information and documents from OMB regarding the LSA longitudinal study. Finally, we examined the contract administration files, including invoices and supporting documentation submitted to the Corporation for contracted services and goods, as well as certain of the deliverables.

Our audit focused on four BPAs, with a sample of 12 task orders awarded under those BPAs between 2010 and 2012. The sample was judgmentally selected, with a bias in favor of high-cost task orders. We conducted this performance audit fieldwork from September 2012 through January 2014, in accordance with Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions, based on our audit objectives.

Auditors faced unexpected challenges in obtaining information necessary for this audit. The Corporation was unable to furnish much of the basic information required. Informal and irregular contract actions, failure to record critical decisions, the basis therefor and the parties responsible and missing documentation required us to reconstruct events several years in the past. Turnover at the staff and executive levels have left substantial gaps in the Corporation's institutional memory. We had to rely on the contractors, particularly Abt, for information about high-dollar-value procurement actions that the Corporation did not supply.

APPENDIX A

**CORPORATION FOR NATIONAL AND COMMUNITY SERVICE
RESPONSE TO DRAFT REPORT**

To: Deborah Jeffrey, Inspector General

From: Kim Mansaray, Acting Chief Operating Officer
David Rebich, Chief Financial Officer 

Cc: Asim Mishra, Chief of Staff
Valerie Green, General Counsel
Doug Hilton, Director of Accountability and Oversight

Date: June 6, 2014

Subject: Response to OIG Draft Report of CNCS Blanket Purchase Agreements for Consulting Services

Thank you for the opportunity to review and comment upon the draft report of the Office of Inspector General (OIG) audit of the Corporation for National and Community Service's (CNCS) use of Blanket Purchase Agreements (BPAs) to acquire professional consulting services.

CNCS appreciates the OIG's recommendations which will help guide the development of our corrective action plans. We will aggressively pursue both long- and short-term corrective actions in all segments of the procurement business cycle.

CNCS has initiated steps to address the challenges identified in the audit. The agency implemented multiple actions to immediately improve CNCS contract management. These actions include the following changes: 1) The Director of the Office Procurement Services (OPS) issued a memo requiring all Contracting Officer Representatives (COR) Level II and higher be certified in the Federal Acquisition Institute Training Application system by completing 40 hours of comprehensive training reinforcing their roles and responsibilities as a COR, including their responsibility for ensuring that the agency is receiving the deliverables for which it is paying; 2) CNCS now requires all contractors to submit detailed timesheets to validate labor charges on invoices and directs Contracting Officers to conduct a second-level review of documentation submitted prior to approving payment; and 3) CNCS issued guidance to contract-related personnel regarding the preparation of Independent Government Cost Estimates, determining fair and reasonable prices when using federal supply schedule contracts, and performing price and cost analysis. CNCS has also revoked the procurement warrant for one of its Contracting Officers as recommended by the OIG.

Altogether, the draft report contains 24 recommendations addressing pre-contract and decision making activities, procurement and contract documentation, contract administration activities, post-contract activities, procurement oversight and accountability, and two specific remedial actions for CNCS to implement. Recognizing the broad scope of the issues involved in these recommendations, CNCS is taking an enterprise-wide approach to implementing corrective actions. CNCS will identify those actions that ensure the efficient and effective procurement of goods and services and use this report as an important resource for comprehensive improvements in the way it plans, awards and monitors its blanket purchase agreements.