

**AUDIT REPORT**  
**11-07**

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**GPO Oversight of the Federal Digital System  
Master Integrator Contract**

**August 19, 2011**

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**Date**

August 19, 2011

**To**

Chief Technology Officer  
Acquisitions Director  
Chief Human Capital Officer

**From**

Assistant Inspector General for Audits and Inspections

**Subject**

**Final Report on Audit of GPO Oversight of the Federal Digital System  
Master Integrator Contract  
Report Number 11-07**

Enclosed please find the subject final report. Please refer to the Results of Audit section of the report for a summary of the audit. Our evaluation of your response has been incorporated into the body of the report and the response is included in its entirety at Appendix C. Management also provided comments to the overall report (see Appendix C). Appendix D to the report contains additional OIG comments that respond to management's comments.

We consider management's proposed actions responsive to the report's two recommendations. Both recommendations will remain open pending completion of the agreed upon corrective actions. Please notify us when those actions are complete. The status of each recommendation upon issuance of this report is included in Appendix E. The final report distribution is in Appendix F.

We appreciate the courtesies extended to the audit staff. If you need additional information or would like to arrange a meeting to discuss this final report, please contact me at (202) 512-2009.

A handwritten signature in black ink that reads "Kevin J. Carson".

Kevin J. Carson  
Assistant Inspector General for Audits and Inspections

Enclosure

cc:

Assistant Public Printer, Operations

Assistant Public Printer, Superintendent of Documents

Chief of Staff

General Counsel

Chief Information Officer

Director of Quality Assurance

# Office of Inspector General

Report Number 11-07

August 19, 2011

## GPO Oversight of the Federal Digital System Master Integrator Contract

### Introduction

The Government Printing Office (GPO) Office of Inspector General (OIG) has completed an audit of the Agency's oversight of the Federal Digital System (FDsys) master integrator (MI) contract. In 2004, as part of its mission of Keeping America Informed, GPO embarked on the FDsys project to replace *GPO Access*<sup>1</sup> as an improved means of providing public access to electronic documents for all three branches of the Federal Government. GPO awarded the FDsys MI contract to Harris Corporation Government Communication Systems Division of Melbourne, Florida (Harris).

As MI, Harris was required to design, develop, and then integrate the various FDsys components, technology, and applications. Initially, GPO planned for the basic FDsys functionality to be operational by July 2007, at a cost of \$16 million. However, it was not until December 21, 2010 that GPO announced FDsys as its official Web site ([www.fdsys.gov](http://www.fdsys.gov)) for disseminating electronic Government information, 3 years behind schedule, with less functionality than originally planned, and a cost of \$44.4 million.

The audit's objective was to determine if GPO effectively administered the FDsys MI contract with Harris Corporation.

### Results of Audit

GPO did not implement key requirements of its Materials Management Acquisition Regulation (MMAR)<sup>2</sup>—the Agency's primary guide for conducting procurements as well as other applicable criteria—in administering its contract with Harris as the MI for FDsys. Specifically, the audit identified that GPO management did not:

- adequately oversee the contract, to include making effective use of a Contracting Officer's Technical Representative (COTR), to ensure that Harris performed according to contract requirements;

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<sup>1</sup>In 1993, Congress passed the U.S. Government Printing Office Electronic Information Access Enhancement Act (Public Law 103-40), which expanded GPO's mission to provide electronic access to Federal electronic information. In June 1994, GPO launched *GPO Access* ([www.gpoaccess.gov](http://www.gpoaccess.gov)), which provided online access to information from all three branches of the Federal Government.

<sup>2</sup>GPO Publication 805.33, May 15, 2003.

- protect GPO's interest upon the initial indication of potential non-performance by Harris Corporation; and
- require adequate supporting documentation for contractor invoices before authorizing payment.

As a result, GPO paid Harris more than \$5 million in excess of the original contract price for significantly less work than the contract initially required and for potential non-performance. In addition, because management did not obtain adequate supporting documentation for invoices Harris submitted, the Agency potentially paid for costs that were unallowable and unreasonable.

To determine if costs actually charged to the contract were allowable and reasonable, the OIG requested that the Defense Contract Audit Agency (DCAA)<sup>3</sup> perform an incurred-cost audit<sup>4</sup> of the contract. The results of that audit will be reported separately.

## **Background**

On August 2, 2006, GPO awarded a cost-plus-award-fee contract<sup>5</sup> with an estimated cost of \$16.7 million to Harris Corporation to serve as the MI for the FDsys project. The contract required Harris to produce Releases 1B and 1C (complete Release 1 functionality) by July 2007. The FDsys Release 1C baseline consisted of 1,835 system requirements (RDs)<sup>6</sup>. In early 2008, the FDsys Project Management Office (PMO) divided this Release (i.e., Release 1C)<sup>7</sup> into three separate products – Release 1C.2, Release 1C.3 and Release 1C.4 – and specified that Release 1C.2 would be the initial FDsys deployment targeting 1,048 RDs for implementation. By late 2008, the PMO decided to designate this Release as Release 1 and deploy it as two (2)

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<sup>3</sup>The Defense Contract Audit Agency (DCAA) performs all contract auditing for the Department of Defense (DoD) and provides accounting and financial advisory services in connection with the negotiation, administration and settlement of contracts and subcontracts, to all DoD procurement and contract administration activities. The DCAA also furnishes these services, on a reimbursable basis, to other U.S. Government agencies.

<sup>4</sup>An incurred cost audit reviews the costs charged by the contractor in order to express an opinion as to whether such costs are reasonable, applicable to the contract, determined under generally accepted accounting principles and cost accounting standards applicable in the circumstances, and not prohibited by the contract, by statute or regulation, or by previous agreement with, or decision of, the contracting officer.

<sup>5</sup>Paragraph 16.305 of the MMAR defines a cost-plus-award-fee contract as a cost-reimbursement contract that provides for a fee consisting of (a) a base amount (which may be zero) fixed at inception of the contract, and (b) an award amount, based upon a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance.

<sup>6</sup>System Requirements contained within the FDsys Requirements Document are referred to as RDs. RDs are so named to distinguish them from Derived Requirements (DRs).

<sup>7</sup>The PMO used Release 1C (R1C) to describe its initial deployment release. R1C was then separated into R1C2, and R1C3 and R1C4 respectively. The PMO later changed these to Release 1, Release 2, and Release 3 respectively.

subsystems. The Access Subsystem, available to the general public, was deployed as a Beta version in January 2009. The Content Management Subsystem, available to only GPO users, was deployed as a Beta System in March 2009. In December 2010 the public Beta FDsys became GPO's official system of record. The Release 1 baseline maintained at the time of the announcement consists of 1,188 RDs; some of which have not been implemented including those mapped to the Continuity of Operations.

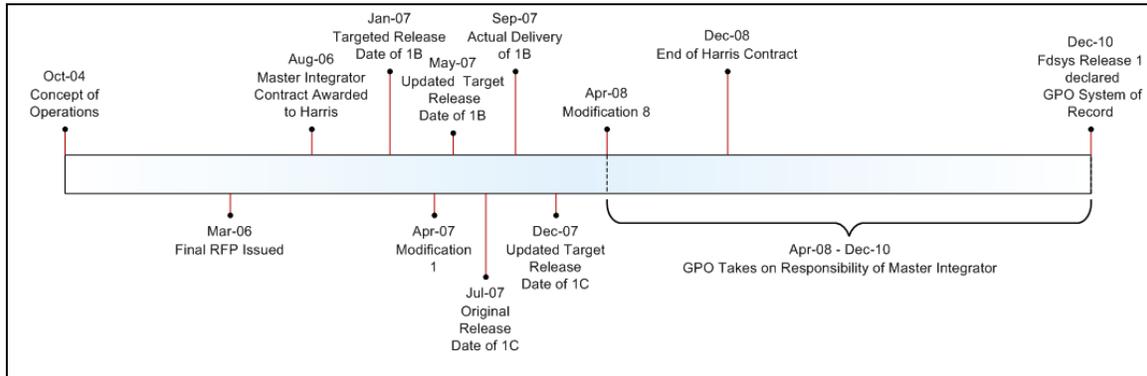
Because of GPO dissatisfaction with Harris' performance, in April 2008, the Agency issued Contract Modification 8, which reduced the scope of work for Harris and transferred MI responsibilities to GPO's FDsys PMO. GPO assigned Harris other lesser system development roles under the overall guidance of the FDsys PMO. The reorganization moved the PMO to the Office of Information Technology and Systems (IT&S) within the organization of GPO's Chief Information Officer (CIO). In addition, the PMO replaced the Harris design for FDsys with a new design strategy that included the predominant use of commercial-off-the-shelf software. With the new modification and decreased Harris responsibilities, contract costs increased from an initial planned cost of \$16 million to more than \$21 million. Subsequently, GPO did not retain Harris when the contract's period-of-performance ended in December 2008.

On December 21, 2010, GPO deployed FDsys Release 1 and removed GPO Access from its public Web site. At that time, Release 1 was 83 percent complete per the FDsys PMO Release 1 Completion Schedule. Planned and actual costs and release dates for the Harris contract follow:

**Planned and Actual Cost and Release Dates for the MI Contract**

| <b>Cost</b>  | <b>Planned</b>                    | <b>Actual</b>  |
|--|-----------------------------------|----------------|
| Release 1A (Note 1)  |                                   |                |
| Release 1B   | \$5.7M                            | \$16.8M        |
| Release 1C (Note 2)  | \$11M                             |                |
| <b>Total Cost</b>  | \$16.7M                           | \$21.8M        |
| <b>Release Dates (Note 3)</b>  | <b>Planned</b>                    | <b>Actual</b>  |
| Release 1B   | January 2007, revised to May 2007 | September 2007 |
| Release 1C   | July 2007, revised to late 2007   | December 2010  |
| <p><b>Note 1. Contract Modification 1 moved all of the requirements from 1A into 1B; therefore, there are no actual data associated with Release 1A.</b></p> <p><b>Note 2. We obtained the actual costs for Release 1B from Modification No. 008, dated April 28, 2008.</b></p> <p><b>Note 3. The two sets of dates in the planned column represent the changes made to the release dates 4 months after contract award.</b></p> |                                   |                |

The following timeline shows those key MI contract events and dates in relation to the overall FDsys project:



**Timeline of Key Events in the FDsys Project**

**FDsys Acquisition Team.** GPO had an extensive team involved with the acquisition of the FDsys MI contract. The team included the following offices:

- **The Office of Acquisitions.** The Office of Acquisitions was responsible for procurement and provided contractual support for the program.
- **The Chief Technology Officer.** The Chief Technology Officer developed the business process design.
- **The Office of Information Technology and Systems.** The Office of Information Technology and Systems (IT&S) was responsible for system design, implementation, and overall operation of FDsys<sup>8</sup>.
- **The FDsys Project Management Office.** The FDsys PMO facilitated business processes in conjunction with the various GPO business units. The PMO was originally located within the Office of the Chief Technology Officer until an organization change took place in August 2007, which resulted in the office moving within IT&S<sup>9</sup>.
- **The Office of General Counsel.** The Office of General Counsel provided legal advice.

<sup>8</sup>At the time of the start of FDsys, IT&S was actually the GPO Information Technology and Systems Department, which the Office of the Chief Information Officer administered. In August 2007, GPO reorganized the office to the Office of IT&S.

<sup>9</sup>In early 2011, the FDsys PMO was reassigned to the GPO Office of Programs, Strategy and Technology.

## **Findings and Recommendations**

### **A. GPO Did Not Comply with the MMAR and Other Applicable Criteria in Administering the FDsys MI Contract**

GPO did not implement key requirements of the Materials Management Acquisition Regulation (MMAR) and other applicable criteria when administering its contract with Harris as the MI for FDsys. Specifically, GPO did not:

- perform effective contract oversight nor make effective use of a Contracting Officer's Technical Representative (COTR) in accordance with the COTR delegation letter, to ensure that Harris performed according to contract requirements;
- take actions to adequately protect the Agency's interest once indications of potential non-performance by Harris became known; and
- require adequate supporting documentation for contractor invoices before making payment.

Neglecting to implement key requirements of the MMAR and other criteria applicable to the Harris contract occurred because GPO did not have the acquisition management policies and procedures necessary to guide acquisition teams, such as the FDsys Acquisition Team. As a result, GPO paid Harris more than \$5 million above and beyond the original estimated contract price for not only less work than the contract required, but also for potential non-performance.

#### **GPO Procurement Guidance**

GPO Publication 805.33, the MMAR, May 15, 2003, provides the policies and procedures necessary to efficiently and effectively conduct procurements. The MMAR addresses areas such as contract surveillance and oversight, and prescribes actions to take as a result of potential contractor non-performance. In addition to following the policies and procedures in the MMAR, the GPO Contracting Officer also commonly appoints a COTR(s) for contract oversight.

GPO Instruction 305.9, Contract Cost Principles and Procedures, May 25, 1999, contains cost principles and procedures for (a) the pricing of contracts, subcontracts, and modifications to contracts and subcontracts whenever cost analysis is performed and (b) the determination, negotiation, or allowance of costs when required by a contract clause.

## **Inadequate Contract Oversight**

Paragraph 16.301 of the MMAR states that a cost reimbursable contract requires “an appropriate level of Government surveillance during performance” to provide reasonable assurance that “efficient methods and effective cost controls are used.” We were provided no evidence of any such surveillance or oversight by any GPO program or acquisitions staff members other than the receipt of periodic status and financial reports. Furthermore, management did not develop a quality assurance surveillance plan—a tool commonly used throughout the Federal Government to aid in contract oversight. The U.S. Office of Management and Budget’s, Office of Federal Procurement Policy, Guide to Best Practices for Contract Administration, states that quality assurance surveillance plans provide agencies with a systematic structured method for evaluating services and products contractors must furnish.

GPO also did not make effective use of a COTR to provide contract oversight. In an August 2, 2006 letter to Harris informing them of contract award, the Contracting Officer stated that within a few days, a COTR would be appointed who would be responsible for day-to-day monitoring and progress of the contract. However, it was not until March 23, 2007, or eight months later, that the Contracting Officer appointed a COTR to help monitor the contract.

Tasks delegated to the COTR included critical oversight measures such as (1) conducting routine inspections for compliance with contract requirements, and (2) preparing a monthly written review of Harris’ performance. However, the COTR did not perform all of the delegated duties. When asked to explain why the required duties were not performed, the COTR stated that despite attempts to be more involved, he was not provided access to the information necessary to be “in charge” or to conduct inspections. As a result, GPO failed to provide proper oversight of contractor performance.

## **Inadequate GPO Actions Upon Potential Contractor Non-Performance.**

MMAR Paragraph 49.402 states that if the contractor fails to make progress and such failure could endanger performance of the contract, the contracting officer shall give the contractor written notice specifying the failure and providing a period of 10 days (or longer period as necessary) in which to cure the failure. The MMAR specifies the following format for providing a “cure notice” to a non-performing contractor:

CURE NOTICE You are notified that the Government considers your [specify the contractor’s failure or failures] a condition that is endangering performance of the contract. Therefore, unless this condition is cured within 10 days after receipt of this notice [or insert any longer time that the Contracting Officer may consider reasonably necessary], the Government may terminate for default under the terms and conditions of the [insert clause title] clause of this contract.

The GPO CIO stated that less than a year after contract award (August 2006), management became aware of non-performance issues on the part of Harris. However, the CIO did not document any specific performance issues and waited almost one year to communicate these concerns to the GPO Office of General Counsel. On February 8, 2008, the CIO notified the Agency's Associate General Counsel that because of performance issues on the part of Harris, management needed to modify the contract with Harris to ensure success. Subsequently, on July 24, 2008, the CIO stated that during the period of August 2007 to February 2008, "Harris exercised inadequate program management such as ignoring risk management and change management, failure to honor the contractual Key Personnel changes, and the loss of key resources."

Although those issues appeared to be significant enough for GPO to consider corrective actions up to and including default on the part of Harris<sup>10</sup>, the Agency took no action such as providing a cure notice to protect its interest. Moreover, we found no evidence that GPO provided any written notification to the contractor that their performance was unacceptable and needed improvement. Further, Harris' vouchers for payment were approved and paid and even included on the voucher a statement that the work was satisfactory.

The Contracting Officer stated that he did not issue a cure notice to the contractor because the PMO never officially informed him of any problems with Harris's performance. In addition, one of the tasks delegated to the COTR was to "provide the Contracting Officer with required documentation for execution of cure notices and show cause letters for unsatisfactory performance." However, as noted earlier, the COTR was unable to perform any of his delegated duties. As a result, GPO could not initiate termination action or request a contract price adjustment due to a lack of supporting documentation. The lack of any action taken against Harris was further supported by the Associate General Counsel who determined that there was insufficient documentation supporting Harris' lack of performance to deny payments or request any kind of price adjustment.

### **Invoices Paid Without Supporting Documentation**

GPO Instruction 305.9, Section 3. Principles and Standards, paragraph 2, states:

A contractor is responsible for accounting for costs appropriately and for maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with applicable cost principles in the Instruction. The contracting officer may disallow all or part of a claimed cost which is inadequately supported.

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<sup>10</sup>As the MMAR defines, a default clause states that the Government may terminate the contract in whole or in part if the "contractor fails to make progress, so as to endanger performance of the contract".

If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer's representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.

Despite having concerns with contractor performance, GPO routinely paid invoices that Harris submitted without requiring supporting documentation to justify claimed costs. PMO officials stated that Harris representatives refused to provide supporting documentation for costs incurred. PMO officials also stated that in an effort to force Harris to provide supporting documentation, GPO held up payment of vouchers for as long as 6 months. Despite these claims, the PMO could provide evidence of only one instance in which it sent an e-mail to Harris requesting supporting documentation for claimed costs. In that one instance, Harris quickly (within 24 hours) provided a positive response. Because GPO routinely paid the invoices without requiring and examining supporting documentation justifying the costs, the Agency potentially paid unallowable or unreasonable costs.

### **Lack of GPO Policies and Procedures for Acquisitions**

GPO Instruction 825.18A, "Internal Control Program," May 28, 1997, defines internal controls as the organization, policies, and procedures used to ensure that GPO (1) achieves intended program results, (2) uses its resources consistent with the Agency mission, (3) protects its programs and resources from waste, fraud, and mismanagement, and (4) follows all laws and regulations. The instruction defines internal control documentation as written policies, organization charts, procedural write-ups, manuals, memoranda, flowcharts, software, and related written materials. Thus, effective business practices would dictate that sound internal control documentation should apply to acquisitions, particularly one as complex and critical as the FDsys MI contract.

Management did not, however, have the required internal control documentation in place. It did not have written policies, organization charts, procedural write-ups, manuals, memoranda, flowcharts, software, or any other related written materials, as Instruction 825.18A prescribes, to guide the Agency in conducting complex critical acquisitions. In the case of the FDsys MI contract, documented policies and procedures would have assisted members of the acquisition team in meeting the objectives of the contract in an economical manner. The lack of documented policies and procedures led to the instances of non-compliance with the MMAR and other applicable criteria. Examples of the lack of a clear, organized process among acquisition team members include:

- The COTR was not appointed until eight months after contract award and was never provided sufficient information and authority that would adequately enable him to perform his delegated duties.

- The Contracting Officer did not notify Harris of potential performance issues because the PMO never officially notified him of contractor performance issues.
- The Associate General Counsel and Contracting Officer both stated that the PMO did not clearly communicate to them the requirements of the contract.

### **Contract Exceeded Budget and Did Not Provide the Desired Results**

Because management did not exercise adequate contract oversight and did not take action that would protect its interests upon Harris's potential non-performance, the contract grew significantly over budget, fell behind schedule, and failed to meet the Agency's requirements. Specifically:

- The original contract, which GPO estimated would cost \$16.7 million, grew to more than \$21.8 million.
- GPO paid Harris more than \$16 million just for development of FDsys Release 1B. However, Harris based FDsys Release 1B on a software system design that the PMO ultimately rejected.
- In its fiscal year 2009 financial statements, GPO wrote off, as a direct reduction of operating income, \$1.19 million of the capitalized costs of FDsys as an impairment loss. Management decided to write this cost off because the software code Harris developed had scalability constraints that rendered the code incapable of meeting FDsys requirements, and thus negated any future economic benefit for GPO.
- In April 2008, GPO restructured the FDsys MI contract with Harris to significantly reduce the company's contract responsibilities (Harris's role changed from MI to providing programming support while GPO took over as the MI for FDsys); however, there was no corresponding reduction in the contract price.
- Because GPO did not request or obtain adequate supporting documentation in connection with vouchers submitted by Harris, the Agency potentially paid costs that were unallowable and unreasonable.

As stated earlier in the report, we have requested that the DCAA perform an incurred-cost audit to identify any unallowable and unreasonable costs that Harris claimed that GPO could potentially recoup. The results of this audit by DCAA will be reported on separately. We are also making recommendations to prevent similar issues from occurring on future complex acquisitions undertaken by GPO.

## Recommendations

We recommend that the:

1. GPO Acquisitions Director develop written policy on administering acquisitions that include statements about the composition, roles, responsibilities, and training requirements of acquisition teams; procedures for conducting contractor oversight including developing quality assurance surveillance plans; incorporating the use of COTRs in the acquisition process; taking appropriate action to protect GPO's interest in the case of potential contractor non-performance; and maintaining complete contract files.

**Management's Response.** Concur. The Director, Acquisition Operations, will finalize Standard Operating Procedures (a) for contract administration and oversight to include Quality Assurance Surveillance Plans (QASP); (b) for the use of COTRs in the acquisition process; (c) for appropriate actions to protect GPO's interest in the case of potential contractor non-performance; and (d) to require and ensure each contracting officer maintains complete contract files.

**Evaluation of Management's Response.** Management's planned action is responsive to the recommendation. The recommendation is resolved but undispositioned, and will remain open for reporting purposes pending the completion and implementation of the Standard Operating Procedures.

2. The Chief Human Capital Officer, in conjunction with the GPO Acquisitions Director, should modify the training courses on project management to include composition of the acquisition team and their roles in project management, use of formal project documents in successful project management such as a project plan, acquisition plan, and project charter; and techniques for effective oversight of outside contractors in project management.

**Management's Response.** Concur. In 2007, Acquisition Services implemented a Training Program through the Federal Acquisition Institute, as mandated by OMB in a memorandum dated January 20, 2006. To date, 95 percent of all Acquisition Staff are certified as Federal Acquisition Certification for Contracting, Level 1, 2, or 3 Contracting Officers, based upon PG grade level. Working with the office of the Chief Human Capital Officer, management agrees that an acquisition-based Program and Project Management training curriculum is important for business units working in conjunction with Acquisitions that develop, specify, implement, and administer programs heavily-dependent on information technology. Over the span of two years, all such Program Managers will be certified at Federal Acquisition Certification for Program and Project Managers, Entry/Apprentice, Mid-

Level/Journeyman, or Senior/Expert, based upon PG grade level, in the spirit of the Office of Federal Procurement Policy memorandum dated April 25, 2007.

**Evaluation of Management's Response.** Management's planned action is responsive to the recommendation. The recommendation is resolved but undispositioned, and will remain open for reporting purposes pending the completion of certification programs by GPO acquisition and program/project management personnel.

## B. Other Observations

The following observation was made during the audit and is presented for management's consideration and disposition as necessary.

Missing Contract Files. MMAR, Section 4.8, "Government Contract Files," states:

The head of each division performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions. (b) The documentation in the files (see 4.803) shall be sufficient to constitute a complete history of the transaction for the purpose of—(1) providing a complete background as a basis for informed decisions at each step in the acquisition process; (2) supporting actions taken; (3) providing information for reviews and investigations; and (4) furnishing essential facts in the event of litigation or congressional inquiries. (Emphasis added.)

The FDsys contract file that the Office of Acquisition Services maintained was unorganized and did not contain sufficient documentation to provide a complete history of the contract. We could not determine if management took the required contract administration steps in areas such as cost/price analysis and selection of contract type, etc. Also, we could not always locate the final versions of documents such as statements-of-work and contract modifications because multiple copies of those documents were in the files and the final versions were either not notated or were put into a separate file, whether hard copy or electronic. On March 31, 2010, the Office of Inspector General reported a similar issue in Audit Report 10-06, "Audit of the Security of GPO's e-Passport Supply Chain," in that the Office of Acquisition Services did not have sufficient contract file documentation for 5 of the 10 significant e-Passport supplier contracts reviewed.

## **Appendix A. Objectives, Scope, and Methodology**

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We performed the audit from August 2010 through May 2011 at the GPO Central Office in Washington, D.C. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that will 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.

### **Objectives**

The objective of the audit was to determine if GPO effectively administered the FDsys MI contract with Harris Corporation.

### **Scope and Methodology**

To accomplish our objective, we performed the following:

- Interviewed GPO personnel from the Offices of Acquisitions, Chief Technology Officer, IT&S and General Counsel. Specifically, we interviewed the Acting Chief Management Officer and Chief Acquisition Officer, the Chief, Specialized Procurement, Chief Information Officer, Chief Strategy and Execution Officer, Director of Operations-Chief Information Officer, Director, IT&S Systems Integration Division, and the Associate General Counsel.
- Interviewed personnel from, and read reports issued by American Systems Corporation, Chantilly, Virginia, who performed Independent Verification and Validation testing of FDsys.
- Examined all contract and project documentation made available to the audit team.
- Requested an assist audit from the Defense Contract Audit Agency (DCAA). We requested that DCAA test the Harris contract's incurred costs to determine whether costs charged to the contract were allowable, reasonable, and appropriately allocated.

### **Computer-Generated Data**

We did not rely on any computer-generated data in conducting this audit.

**Management Controls Reviewed**

We reviewed and evaluated the management controls associated with the administration of the FDSys MI contract. Specifically, we determined if GPO had policies and procedures in place to ensure the Agency followed the MMAR and other applicable criteria in administering the contract. In conducting our review of management controls, we followed Federal Government internal control guidelines in the Office of Management and Budget Circular A-123, "Management Accountability and Control," June 21, 1995; GPO Instruction 825.18A; and the Government Accountability Office's November 1999 Standards for Internal Control in the Federal Government. The audit identified a management control deficiency in that GPO did not have a formal, Agency-wide process to guide the extended acquisition team in awarding and administering contracts. The details of our examination of management controls, the results of our examination, and noted management control deficiencies are contained in the report. Implementing the report's recommendations should improve those management control deficiencies.

## **Appendix B. Acronyms Used in the Report**

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|       |  |
|-------|--|
| CIO   | Chief Information Officer                      |
| COTR  | Contracting Officer's Technical Representative |
| DCAA  | Defense Contract Audit Agency                  |
| FDsys | Federal Digital System                         |
| GPO   | Government Printing Office                     |
| IT&S  | Information Technology and Systems             |
| MI    | Master Integrator                              |
| MMAR  | Materials Management Acquisition Regulation    |
| OIG   | Office of Inspector General                    |
| PMO   | Project Management Office                      |
| RDs   | System Requirements                            |

## Appendix C. Management's Response

U.S. GOVERNMENT PRINTING OFFICE  
QUALITY ASSURANCE DIRECTORATE, OFFICE OF THE CHIEF OF STAFF

# Memorandum

**Date:** July 29, 2011

**Subject:** Management Response to Audit of GPO Oversight of the Federal Digital System (FDsys) Master Integrator (MI) Contract

**To:** Assistant Inspector General for Audits and Inspections

**Background:** This is management's response to the draft report, dated May 31, 2011, regarding the OIG's review to determine if GPO effectively administered the FDsys MI contract with Harris Corporation, during the period August 2006 to December 2008.

**Findings:** *GPO did not implement key requirements of the MMAR and other applicable criteria when administering its contract with Harris as the MI for FDsys. Specifically, GPO did not:*

- *perform effective contract oversight nor make effective use of a Contracting Officer's Technical Representative (COTR) per the COTR delegation letter, to ensure that Harris performed according to contract requirements;*
- *take actions to adequately protect the Agency's interest once indications of potential non-performance by Harris became known; and*
- *require adequate supporting documentation for contractor invoices before making payment.*

**Responses:** Current GPO management acknowledges there were issues with the management and implementation of the contract with Harris, and appreciates the work that has gone into this audit report.

Management notes that the record of which expenditures were warranted will not be available until completion of the DCAA audit requested by the Contracting Officer and mentioned in the audit report.

It is not clear to management why the continuing oversight of the project via the multiple task orders that were issued for Independent Verification and Validation (IV&V) of the FDsys program (at a cumulative cost of \$2.5 million) did not disclose these issues earlier.

**Master Integrator Contract Administration**

**Recommendation 1:** *GPO Acquisitions Director develop written policy on administering acquisitions that include statements about the composition, roles, responsibilities, and training requirements of acquisition teams; procedures for conducting contractor oversight including developing quality assurance surveillance plans; incorporating the use of COTRs in the acquisition process; taking appropriate action to protect GPO's interest in the case of potential contractor non-performance; and.*

*See Appendix D, OIG  
Comment 1*

*See Appendix D, OIG  
Comment 2*

*maintaining complete contract files.*

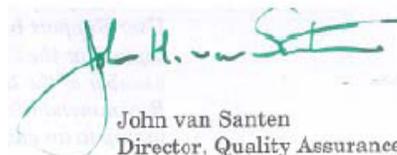
- Response 1: Management concurs with this recommendation. By 30 Dec 2011, the Director, Acquisition Operations will:
- a. finalize SOPs for contract administration and oversight to include Quality Assurance Surveillance Plans (QASP);
  - b. finalize SOPs for the use of COTRs in the acquisition process;
  - c. finalize SOPs for appropriate actions to protect GPO's interest in the case of potential contractor non-performance; and
  - d. finalize SOPs to require and ensure each CO maintains complete contract files.

Recommendation 2: *The Chief Human Capital Officer, in conjunction with the GPO Acquisitions Director, should modify the training courses on project management to include composition of the acquisition team and their roles in project management, use of formal project documents in successful project management such as a project plan, acquisition plan, and project charter; and techniques for effective oversight of outside contractors in project management.*

Response 2: Management concurs with this recommendation. In 2007, Acquisition Services implemented a Training Program through the Federal Acquisition Institute (FAI), as mandated by OMB in a memorandum dated January 20, 2006. To date, 95% of all Acquisition Staff are certified as Federal Acquisition Certification for Contracting (FAC-C) Level 1, 2, or 3 Contracting Officers, based upon PG grade level.

Working with the office of the Chief Human Capital Officer, management agrees that an acquisition-based Program and Project Management training curriculum is important for business units working in conjunction with Acquisitions that develop, specify, implement, and administer programs heavily-dependent on information technology. Over the span of two years (i.e., by 1 Jul 2013), all such Program Managers will be certified at Federal Acquisition Certification for Program and Project Managers (FAC-P/PM), Entry/Apprentice, Mid-Level/Journeyman, or Senior/Expert, based upon PG grade level, in the spirit of the Office of Federal Procurement Policy (OFPP) policy memorandum dated April 25, 2007.

Thank you for this opportunity comment upon your draft report.



John van Santen  
Director, Quality Assurance

## **Appendix D. Office of Inspector General Comments on Management's Response**

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GPO management provided the following comments in response to the draft report. The OIG's response to each of the comments is also presented.

**Management's Comment.** Management notes that the record of which expenditures were warranted will not be available until completion of the DCAA audit requested by the Contracting Officer and mentioned in the audit report.

**1. OIG Comments.** Management's statement that the DCAA audit was requested by the GPO Contracting Officer is without any factual basis. Specifically, the DCAA audit was requested by the OIG on September 21, 2010, by correspondence between the Assistant Inspector General for Audits and Inspections and DCAA's Melbourne Branch Office's Branch Manager. In this request, the OIG specifically asked that DCAA perform an incurred cost audit of GPO's contract with Harris Corporation. Upon DCAA's acceptance of the requested audit, an interagency agreement, dated April 8, 2011, was executed between the GPO OIG and DCAA. The interagency agreement was the vehicle used to provide funding to the DCAA for the audit work requested. The interagency agreement was followed up with a June 15, 2011 memorandum of acknowledgment from the DCAA Branch Manager to the Assistant Inspector General for Audits and Inspections which detailed the scope and objectives of the audit work to be performed by DCAA.

**Management's Comment.** It is not clear to management why the continuing oversight of the project via the multiple task orders that were issued for Independent Verification and Validation (IV&V) of the FDsys program (at a cumulative cost of \$2.5 million) did not disclose these issues earlier.

**2. OIG Comments.** Management's response reflects a fundamental misunderstanding of the purpose and scope of the OIG's ongoing Independent Verification and Validation (IV&V) effort for the FDsys project. The OIG contracted with American Systems<sup>11</sup> to conduct IV&V work associated with the **development and implementation** of FDsys. The IV&V (American Systems) team at GPO consists of systems and software engineers with extensive experience conducting IV&V in the Federal space. The specific objectives of the IV&V effort, as outlined in the OIG's IV&V solicitation and contract, are to conduct Program Management IV&V, Technical IV&V, and Testing IV&V for FDsys development and implementation. ***Review of contract administration is not a part of the IV&V contract.***

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<sup>11</sup>American Systems, located in Chantilly, Virginia, is a large information technology company with significant experience in the realm of IV&V for Federal civilian and Defense agencies, including the U.S. Department of State, National Archives and Records Administration, U.S. Agency for International Development, and U.S. Navy.

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The OIG required that the IV&V methodology used on the FDsys Program be referenced to the framework established by the Institute of Electrical and Electronic Engineers (IEEE) Std. 1012-2004, "IEEE Standard for Software Verification and Validation." Review of contract administration is not a requirement in the IEEE standard and is typically not part of an IV&V contract; especially one tasked with evaluating IT systems and components from an engineering perspective, as is the case with this IV&V contract. Furthermore, the installation and use of IV&V by the OIG cannot and should not be considered to fulfill the requirement for a contractor quality assurance surveillance plan (QASP). The OIG and IV&V team are completely independent of the FDsys program. Preparation and enforcement of a QASP was and is the sole responsibility of the FDsys Program Management Office (PMO).

The GPO Chief Information Officer (CIO), the PMO, and the GPO Contracting Officer (CO) were all advised that the objectives of the IV&V effort did not include contract administration. In fact, the CO worked with the OIG in preparing the IV&V solicitation and awarding the contract. Additionally, the OIG provided the CIO with a copy of the solicitation for comment prior to issuance.

As part of the contract, the OIG tasked the IV&V contractor with the following specific objectives:

### **Program Management IV&V**

The purpose of Program Management IV&V is to evaluate overall program management effectiveness. The OIG tasked IV&V to:

- Analyze the FDsys program schedule on an ongoing basis to identify critical path issues and other risks associated with development and implementation.
- Validate development processes, including change management, issue tracking, and risk management approaches.
- Evaluate the use of Earned Value Management and other industry best practices for managing program progress against established cost and schedule performance parameters.

### **Technical IV&V**

The purpose of Technical IV&V is to independently evaluate FDsys and related artifacts to determine if FDsys is capable of performing its intended business functions, and to determine if it is testable, reliable, maintainable, and usable and can be easily enhanced. The OIG tasked IV&V to:

- Analyze FDsys requirements, architecture and design, and other critical deliverables associated with FDsys development and implementation, including an assessment of the requirements traceability analysis created by the FDsys implementation team.
- Analyze architecture, tools and technology decisions for compliance with the requirements, cost, and risk constraints of the program.
- Observe major FDsys program activities to determine whether FDsys requirements are being met.
- Verify that the FDsys design is without characteristics that would cause the system to fail under operational scenarios.

### **Testing IV&V**

The purpose of Testing IV&V is to determine if the PMO adequately and completely tested FDsys prior to releasing it as a production system. The OIG tasked IV&V to:

- Review test plans, processes, roles and responsibilities, test approaches, test tools, and test environments to ensure they are sufficient to verify and validate software, operational, and performance requirements.
- Verify that test anomalies are correctly dispositioned; test results versus acceptance criteria are validated; and all test objectives are successfully completed.
- Validate that FDsys meets the information technology requirements of the Workforce Investment Act, security, and other GPO and federal regulatory standards and requirements.

The OIG and IV&V developed an IV&V Plan to specifically cover the IV&V activities for FDsys Release 1.C. Because GPO had already selected a developer and was proceeding with development of Release 1.B, the primary focus was IV&V activities associated with the Release 1.C development and implementation processes.

As a result of IV&V activity conducted during the time of the Master Integrator (MI) contract, the OIG did report several problems with respect to the PMO's oversight of the MI contract, including the following:

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➤ ***Inadequate Program Management.*** Within the context of Program Management IV&V, the GPO IV&V team was tasked with identifying cost risks to the project and monitoring cost growth against budget. As required by the OIG, IV&V did evaluate the Program Management function of the MI to determine if the project was within the cost and schedule parameters established in the original GPO – MI contract when compared to the Earned Value Management System (EVMS) data that would be expected to be provided by the PMO using American National Standards Institute/Electronic Industries Alliance (ANSI/EIA) standards. Based on those input parameters, IV&V found that the project was not being managed using rigorous EVMS standards including variance analyses provided in Cost and Schedule Performance Indices; tenets of the *ANSI-EIA-748-B-2007, Standard for Earned Value Management Systems (EVMS)* that is used throughout government contracts. Additionally, we found that:

- Program review meetings were not being held to give the PMO visibility into the schedule, cost, and technical status of the FDsys program.
- The PMO did not have an established Quality Assurance (QA) program in place for the MI's deliverables. Thus, the PMO had no mechanism for formal acceptance of the MI's work products and had to rely on the MI's own QA program.
- The PMO did not have an FDsys Government Configuration Management Plan to control the deliverables of the MI and ensure that they were aware of the deliverable contents.

The OIG reported these findings to the CIO, the PMO, and GPO senior management.

➤ ***Strained Relationship Between MI and PMO.*** In December of 2007, the OIG and IV&V presented a system design review briefing to the CIO and PMO. As part of that briefing, IV&V highlighted a strained relationship between the PMO and the MI and the lack of adequate GPO oversight. Although the OIG and IV&V recommended that GPO hire an experienced Government Program Manager, this recommendation was never implemented.

- ***Failure by PMO to Follow MI Contract Provisions.*** In February 2008, the OIG and IV&V presented a briefing to the CO regarding Deliverable Acceptance and Award Fee Determination. We reported that the PMO was not following processes outlined in GPO's contract with the MI and that failure to follow these processes would put the government at risk should a contract dispute arise with the MI. We specifically noted that contract provisions regarding the acceptance of deliverables and award fee determination were not being followed.
  
- ***Concerns Regarding Proposed Realignment.*** In early 2008, GPO decided to institute a major program realignment to design and develop FDsys, which included plans to reduce the scope of the work for the MI and transfer MI responsibilities to the PMO. However, the OIG was not notified of, or asked for input regarding the proposed realignment. Nevertheless, the OIG tasked IV&V to perform an analysis of the proposed realignment to determine its viability, feasibility and potential benefits and risks. The Inspector General requested a meeting with the Public Printer to present the analysis. In their analysis, IV&V expressed concern that the proposed approach was too risky and had a very high likelihood of failure; recommending that the GPO reconsider this new approach. IV&V cited the lack of GPO experience managing a large development contract like FDsys; especially without a plan to do so. The OIG and IV&V recommended the following to the Public Printer:
  - If GPO did want to move forward with the premise, GPO management should require a detailed plan describing how the Office of the CIO and the PMO would execute and manage the development and deployment of the system.
  
  - Alternatively, IV&V recommended that either
    - a) GPO terminate the MI for convenience and as soon as possible release a solicitation for a new MI – this choice implied an approximately 1 year schedule slip just to get back to current state; or

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- b) GPO work with the existing MI to establish a reasonable schedule and scope baseline, given GPO's fixed budget baseline – this choice also implied a slip of unknown length, but certainly less than the slip above.
- c) Both of these recommendations were significantly less risky than the basic premise of the decision.

Subsequently, GPO decided to reduce the scope of the work for the MI and transfer MI responsibilities to the PMO.

## Appendix E. Status of Recommendations

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| <b>Recommendation<br/>No.</b> | <b>Resolved</b> | <b>Unresolved</b> | <b>Open/ECD*</b> | <b>Closed</b> |
|-------------------------------|-----------------|-------------------|------------------|---------------|
| 1                             | X               |                   | 12-30-2011       |               |
| 2                             | X               |                   | 07-01-2013       |               |

\*Estimated Completion Date.

## **Appendix F. Report Distribution**

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### **Government Printing Office**

Public Printer  
Assistant Public Printer, Operations  
Assistant Public Printer, Superintendent of Documents  
Chief of Staff  
General Counsel  
Chief Communications Officer  
Chief Financial Officer  
Chief Human Capital Officer  
Chief Information Officer  
Chief Technology Officer  
Director, Security Services  
Acting Customer Services Director  
Agency Accounts and Marketing Director  
Business Products and Services Managing Director  
Library Services and Content Management Acting Director  
Managing Director, Plant Operations  
Managing Director, Security and Intelligent Documents  
Quality Assurance Director

## **Major Contributors to the Report**

Karl Allen, Supervisory Auditor  
Patricia Bach, Senior Auditor