

REPORT NO. 565

FEBRUARY 24, 2021

OFFICE OF
**INSPECTOR
GENERAL**

OFFICE OF AUDITS

**The SEC Has Taken Steps To
Strengthen Its Monitoring Of ISS
Contractor's Performance,
But Additional Actions Are Needed**

This report contains non-public information about the U.S. Securities and Exchange Commission's information technology program and contract management. We redacted the non-public information to create this public version.

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OFFICE OF
INSPECTOR GENERAL

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

M E M O R A N D U M

February 24, 2021

TO: Kenneth Johnson, Chief Operating Officer

FROM: Carl W. Hoecker, Inspector General 

SUBJECT: *The SEC Has Taken Steps to Strengthen Its Monitoring of ISS Contractor's Performance, But Additional Actions Are Needed, Report No. 565*

Attached is the Office of Inspector General (OIG) final report detailing the results of our audit of the U.S. Securities and Exchange Commission's (SEC) oversight of the infrastructure support service contractor performance. The report contains seven recommendations that should help improve the SEC's contract management, including its oversight of the infrastructure support service contract.

On February 10, 2021, we provided management with a draft of our report for review and comment. In its February 23, 2021, response, management concurred with our recommendations. We have included management's response as Appendix III in the final report.

Within the next 45 days, please provide the OIG with a written corrective action plan that addresses the recommendations. The corrective action plan should include information such as the responsible official/point of contact, timeframe for completing required actions, and milestones identifying how management will address the recommendations.

We appreciate the courtesies and cooperation extended to us during the audit. If you have questions, please contact me or Rebecca L. Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects.

Attachment

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EXECUTIVE SUMMARY

The SEC Has Taken Steps To Strengthen Its Monitoring Of ISS Contractor's Performance, But Additional Actions Are Needed

REPORT NO. 565 | FEBRUARY 24, 2021

WHY WE DID THIS AUDIT

Quality assurance surveillance—oversight of the services being performed by contractors—is important to ensure contractors are providing timely and quality services and to help mitigate any contractor performance problems. We conducted this audit to assess the U.S. Securities and Exchange Commission's (SEC or agency) oversight and monitoring of its infrastructure support services (ISS) contractor's performance, which supports the SEC's information technology (IT) program. Specifically, we sought to determine whether the SEC developed and leveraged a quality assurance surveillance plan (QASP), service level agreements (SLAs), contractor performance reports, or other methods to (a) monitor and document the contractor's performance; (b) address areas of needed improvement, and (c) drive desired performance outcomes in accordance with the Federal Acquisition Regulation, Office of Management and Budget guidance, and SEC policy. We also sought to evaluate the contractor's submission of contract deliverables and the SEC's use of those deliverables to assess the contractor's performance; and assess the SEC's monitoring of the contractor's corrective action plans for known performance issues.

WHAT WE RECOMMENDED

We made seven recommendations to improve the SEC's contract management, including the oversight of the ISS contract. Management concurred with the recommendations, which will be closed upon completion and verification of corrective action. This report contains non-public information about the SEC's IT program and contract management. We redacted the non-public information to create this public version.

WHAT WE FOUND

The ISS contract—the SEC's largest contract valued at about \$362 million as of December 2020—covers areas critical to the agency's IT program, requiring coordinated oversight from multiple Office of Information Technology (OIT) and Office of Acquisitions (OA) officials. In accordance with the Federal Acquisition Regulation and SEC policies and procedures, the ISS contract included various surveillance tools to support the goal of timely, organized, and well-documented oversight. However, the SEC did not effectively implement tools for monitoring the contractor's performance to drive desired performance outcomes. Specifically, the SEC did not: (1) timely finalize or distribute a comprehensive QASP for the ISS contract; (2) ensure corrective action plans were fully implemented for two known performance issues; and (3) timely prepare required contractor performance evaluations, or include details sufficient to accurately support the contractor's performance ratings.

These conditions occurred as the SEC did not prioritize establishing clear roles and responsibilities between OA and OIT officials to ensure compliance with quality assurance surveillance requirements and did not establish processes and controls for communicating contractor performance issues, monitoring the implementation of contractor corrective action plans, and documenting past performance assessments. As a result, we identified gaps in the SEC's oversight of key contract areas supporting the agency's IT program. For example, we found (1) errors in contractor SLA calculations and concerns with agency SLA validation; (2) untimely, unused, or inaccurate contract deliverables; and (3) missed opportunities to formally document contractor performance issues.

Lastly, we found that OA and OIT personnel did not clearly identify or track deliverables updates throughout the contract's performance. This occurred because OA and OIT did not coordinate to implement updates to required deliverables throughout all contract documents and the SEC did not have a consistent process for reviewing and incorporating updates to deliverables requirements that included all stakeholders during option period 1. As a result, we identified discrepancies in the frequencies, descriptions, and submission status of some deliverables submitted in option period 1 between the contract, OIT trackers, and records of deliverables received.

In 2020, the SEC took steps to strengthen its monitoring of the contractor's performance, to include reconciling ISS statement of work language to its deliverables attachment; creating an ISS governance board to prioritize initiatives and enhance communication; and updating OA's process to address overdue contractor performance evaluations. However, additional actions are needed to provide further assurance that efficient surveillance methods and effective cost controls are used for the remaining life of the contract, and to ensure that the SEC safeguards the government's interest by complying with federal, agency, and contract requirements for quality assurance surveillance in the future.

We also identified three other matters related to the oversight of the ISS contract that did not warrant recommendations. We found that deliverables records for the ISS contract were not complete in the SEC's system of record as of the end of option period 1. Additionally, we encourage OA to verify or establish ISS contract task leads' training requirements for contractor performance, as task leads are integral to oversight of the contract. Finally, as the contractor supports the operations of the agency's mobile devices, we encourage OA and OIT to disseminate to the contractor any guidance developed or updated as a result of a recent Office of Inspector General audit of the SEC's mobile device program. We discussed these matters with agency management for their consideration.

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Abbreviations

CO	Contracting Officer
COR	Contracting Officer's Representative
CPARS	Contractor Performance Assessment Reporting System
CS	Contract Specialist
eFile	Electronic Filing
EOC	Enterprise Operations Center
EUC	End User Computing
EUT	End User Technology
FAR	Federal Acquisition Regulation
GAO	U.S. Government Accountability Office
ISS	infrastructure support services
IT	information technology
OA	Office of Acquisitions
OAOP	Office of Acquisitions Operating Procedure
OIG	Office of Inspector General
OIT	Office of Information Technology
OMB	Office of Management and Budget
OP 1	option period 1
PBA	performance-based acquisition
PDR	Performance Discrepancy Report
QASP	quality assurance surveillance plan
QCP	quality control plan
SEC or agency	U.S. Securities and Exchange Commission
SECOP	U.S. Securities and Exchange Commission Operating Procedure
SECR	U.S. Securities and Exchange Commission Administrative Regulation
SLA	service level agreement
SOW	statement of work
SRA or the contractor	SRA International Inc.
T&M	time-and-materials

Background and Objectives

BACKGROUND

To support the business needs of the U.S. Securities and Exchange Commission's (SEC or agency) Office of Information Technology (OIT), on January 25, 2016, the SEC awarded a combination-type contract (time-and-materials [T&M] and fixed-price)¹ for infrastructure support services (ISS) for all SEC divisions and offices, including regional offices. The SEC awarded the ISS contract as a performance-based acquisition (PBA) to SRA International Inc. (SRA or the contractor).² The ISS contract called for SRA to support OIT in the following four task areas that comprise the SEC's information technology (IT) program: (1) Enterprise Operations; (2) Enterprise Infrastructure; (3) Enterprise Architecture; and (4) Common Services. As Table 1 shows, the 4 task areas were divided into 19 subtask areas.³

TABLE 1. ISS Task Areas and Subtask Areas

Task Area 1.0 – Enterprise Operations
Task 1.1 – Service Desk Support
Task 1.1 – Regional
Task 1.2 – End User Computing (EUC)
Task Area 2.0 – Enterprise Infrastructure
Task 2.1 – Managed Network Support
Task 2.2 – Server and Storage Support
Task 2.3 – Network Operations Center now Enterprise Operations Center (EOC)
Task 2.4 – Data Center Operations Support and Engineering
Task 2.5 – Contingency Planning Support
Task 2.6 – Audio Video Conferencing Services
Task Area 3.0 – Enterprise Architecture
Task 3.1 – Enterprise Engineering
Task 3.2 – Preproduction Environment
Task 3.3 – Testing and Development
Task 3.4 – Electronic Data Warehouse Support
Task Area 4.0 – Common Services
Task 4.1 – Asset Management
Task 4.3 – Other Project and Operations Support
Task 4.4 – Audit Remediation
Task 4.5 – eDiscovery
Task 4.6 – Infrastructure Delivery Management
Task 4.7 – Overarching Process Support

Source: Office of Inspector General (OIG)-generated based on data obtained from the ISS contract.

¹ The SEC's combination-type award number SECHQ1-16-0032 to SRA called for a 3-month firm-fixed-price transition period and a 24-month base period T&M contract. Attachment 20 of the ISS contract requires SRA to submit plans to convert selected task areas from T&M to other pricing structures (fixed-price, cost per user, or other offeror suggestions) with the goal of reducing costs for the remaining years of the contract.

² In November 2015, SRA International Inc. merged with CSC's North American Public Sector to become CSRA Inc. In April 2018, General Dynamics Information Technology acquired CSRA Inc., although the ISS contract continues to reflect SRA International Inc. as the contractor. Based on the System for Award Management, although General Dynamics Information Technology is the legal name, the company is doing business as SRA.

³ Task Area 4.0 – Common Services also had a subtask 4.2 - Transition Support. This subtask was only for the period of April 4, 2016, to August 2, 2016; therefore, Table 1 does not present it.

As of December 2020, 259 contractor personnel were assigned to the ISS contract, and it was the SEC's largest active contract with a total value of about \$362 million, if all options are exercised through 2026. (See Table 2.) On August 1, 2018, the SEC exercised the contract's option period 1 (OP 1) (from August 3, 2018, through August 2, 2019), which the SEC extended through December 2019. During this period, the SEC incurred about \$46.5 million in base services.⁴

TABLE 2. ISS Contract Value as of December 2020⁵

Contract Phase	Period of Performance	Total Value
Transition Period	4/4/16 - 8/2/16	\$ 1,167,443
Base Period Year 1	8/3/16 - 8/2/17	\$ 23,686,386
Base Period Year 2	8/3/17 - 8/2/18	\$ 55,196,050
Option Period 1	8/3/18 - 12/31/19	\$ 46,470,730
Option Year 2	1/1/20 - 12/31/20	\$ 44,926,506
Option Year 3	1/1/21 - 12/31/21	\$ 40,200,000
Option Year 4-8	1/1/22 - 4/3/26	\$ 123,535,924
Additional Projects	Varies	\$ 26,787,114
TOTAL		\$ 361,970,153

Source: OIG-generated based on ISS contract documents.

Federal and SEC Quality Assurance Surveillance Requirements. Quality assurance surveillance—oversight of the services being performed by a contractor—is important to provide assurance that the contractor provides timely and quality services and to help mitigate any contractor performance problems. Surveillance includes a range of processes and actions throughout the contract performance period to ensure the government receives the services it contracted for in a timely manner.⁶ The Federal Acquisition Regulation (FAR), SEC procedures and regulations, and the ISS contract itself establish quality assurance surveillance requirements, as we further describe below.

FAR Requirements. FAR Subpart 46.104, *Contract Administration Office Responsibilities*, requires the government to ensure that the services and supplies received conform to contract quality requirements. In addition, according to FAR Subpart 46.105, *Contractor Responsibilities*, the contractor is responsible for carrying out its obligations under the contract by controlling quality of supplies and services. With respect to PBAs,⁷ such as the SEC's ISS contract, FAR Subpart 37.6, *Performance-Based Acquisition*, states that performance-based contracts include: (1) a performance work statement; (2) measurable performance standards and the method of assessing contractor performance against performance standards; and (3) performance incentives where appropriate. FAR Subpart 37.6 also states

⁴ Base services include services for the four task areas. Additional projects may have been added to the contract and not captured in the incurred amount.

⁵ This table reflects the total potential value of the contract and all option years, including the initial award and the 43 modifications executed through December 30, 2020.

⁶ U.S. Government Accountability Office (GAO), *CONTRACT MANAGEMENT – Opportunities to Improve Surveillance on Department of Defense Service Contracts* (GAO-05-274, March 2005).

⁷ PBA refers to describing an agency's needs in terms of required results rather than how the contractor is to accomplish the work, and is the federal government's preferred method of acquiring services.

that the government may either prepare a quality assurance surveillance plan (QASP) or require the contractor to submit a proposed QASP for the government's consideration in development of the government's plan. Meanwhile, FAR Subpart 46.401(a), *Quality Assurance, General*, advises that the QASP, which establishes the approach the government will use to monitor and evaluate contractor performance and ensure the objectives of the contract are met, should specify the work requiring surveillance and the method of surveillance and should be prepared in conjunction with the contract statement of work (SOW). Finally, although FAR Subpart 37.1, *Service Contracts-General*, states that PBA methods are preferred for the acquisition of services, FAR Subpart 16.6, *Time-and-Materials, Labor-Hour, and Letter Contracts*, also notes that a T&M contract, such as the SEC's ISS 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 cost controls are being used."

SEC and ISS Contract Requirements. SEC Office of Acquisitions operating procedure (OAOP) 1, *Acquisition* (Section 15.4, *Surveillance*), dated October 1, 2020, states that, to be effective, contract surveillance must be timely, organized, and well documented, and must, at a minimum, outline how the government will monitor and control performance and mitigate the impact of any adverse events. Contract surveillance is particularly important for T&M contracts because, as stated in the SEC operating procedure (SECOP) for agency acquisitions,⁸ T&M contracts place maximum risk and a high administrative burden on the government and require all SEC stakeholders to work together to ensure compliance with the contract requirements, applicable local and federal policies, and other statutes affecting this contract type. Moreover, SEC Administrative Regulation (SECR) 10-17, *Time-And-Materials and Labor-Hour Contracts* (August 20, 2015),⁹ states that, for all T&M contracts above the simplified acquisition threshold (or \$250,000 as of October 1, 2020), the COR must develop a surveillance plan, and select and document appropriate monitoring techniques based on the contract value, criticality of services, and complexity of the contract. Finally, the ISS contract states that the government shall evaluate the contractor's performance in accordance with a QASP.

ISS Contract SLAs and Deliverables. To drive a high level of contractor performance and to help OIT personnel surveil SRA, the ISS contract includes attachments that describe in detail its service level agreements (SLAs)—performance metrics to be monitored, measured, and reported to the SEC by the contractor—and deliverables. Specifically, Attachment 9 – *SLAs*, establishes the agency's expectations for how well SRA manages the services it has been contracted to provide including, among other things, the SEC's IT asset inventory, calls to the agency's IT Service Desk, and patch management. As of December 2019, there were 29 implemented SLAs, of which 16 were classified as critical performance

⁸ SECOP 10-1, *Acquisition Authority and Lifecycle*, Section 7.7, *Time-and-Material and Labor-Hour Contracts* (May 2019).

⁹ SECR 10-17, *Time-And-Materials and Labor-Hour Contracts* (August 20, 2015), was in effect in January 2016 when the ISS contract was awarded and established policies, responsibilities, and general procedures for proper use and administration of T&M contracts. SECR 10-17 was superseded by SECR 10-1, *Acquisition Authority and Lifecycle*, in May 2019. SECR 10-1 refers to its related SECOP 10-1 for specific guidance and procedures, which includes the same surveillance plan requirements. Furthermore, the SEC released a new OAOP (OAOP 1, May 2019) after the award of the ISS contract. The updated OAOP 1, October 2020 also requires SEC personnel to develop a surveillance plan for T&M contracts.

indicator SLAs and 13 were classified as key performance indicator SLAs.¹⁰ The 16 critical performance indicator SLAs can result in financial credits to the SEC if SRA fails to meet minimum performance targets. Additionally, Attachment 21 – *Deliverables*, included about 60 deliverables, including plans, reports, and other documents, SRA is required to provide the SEC at various frequencies. Appendix I of this report provides descriptions of the ISS contract SLAs and deliverables we reviewed.

OP 1 Performance Issues and Corrective Action Plans. According to SECOP 10-15, *Contracting Officer's Representative*, and OAOP 1, *Acquisition*, the Contracting Officer's Representative (COR) is responsible for notifying the Contracting Officer (CO) of any contract performance issues and uploading correspondence to the contract file. Beginning in 2018, the ISS contract COR prepared Quality Assurance Surveillance Reports for the CO and Program Manager, which included contractor performance issues that merited extra attention. Within OP 1, two issues—(1) SEC IT assets missing from SRA-controlled space, and (2) SRA staff erroneously deploying a software patch that rendered 825 SEC laptops inoperable—resulted in corrective action plans. We discuss these issues further on page 14.

Requirements for Contractor Performance Evaluations. According to Office of Management and Budget (OMB) memoranda¹¹ and the U.S. Government Accountability Office (GAO),¹² having complete, timely, and accurate information on contractor performance allows officials responsible for awarding new federal contracts to make informed decisions. FAR Subpart 42.15, *Contractor Performance Information*, generally requires agencies to document contractor performance on contracts or orders that exceed certain dollar thresholds at least annually, and to make that information available to other agencies through the Contractor Performance Assessment Reporting System (CPARS), a shared government-wide database. SECOP 10-1, *Acquisition Authority and Lifecycle*, and OAOP 1, *Acquisition*, also require SEC personnel responsible for contractor oversight to assess and document contractors' performance in the CPARS to ensure the federal government makes informed business decisions when selecting prospective contractors. Although none of the ISS contract CPARS evaluations were completed at the outset of our audit in February 2020, Office of Acquisitions (OA) and OIT officials worked together to bring the ISS CPARS evaluations up-to-date during our review. As of October 2020, the SEC completed four CPARS evaluations covering SRA's performance from April 2016 through December 2019. We discuss this issue further on page 17.

SEC Roles and Responsibilities

The SEC's OA supports all aspects of procurement and contract administration, including the procurement of OIT services, whereas OIT has overall management responsibility for the SEC's IT program. Generally, all SEC employees involved in contract award are expected to work together to

¹⁰ Although the critical and key performance indicator SLAs are both metrics with defined expected and minimum service levels, they differ in that critical performance indicators are subject to financial credits based on actual performance, whereas key performance indicators are not. Task Area 1, Service Desk, accounts for 20 (or about 69 percent) of the ISS contract SLAs.

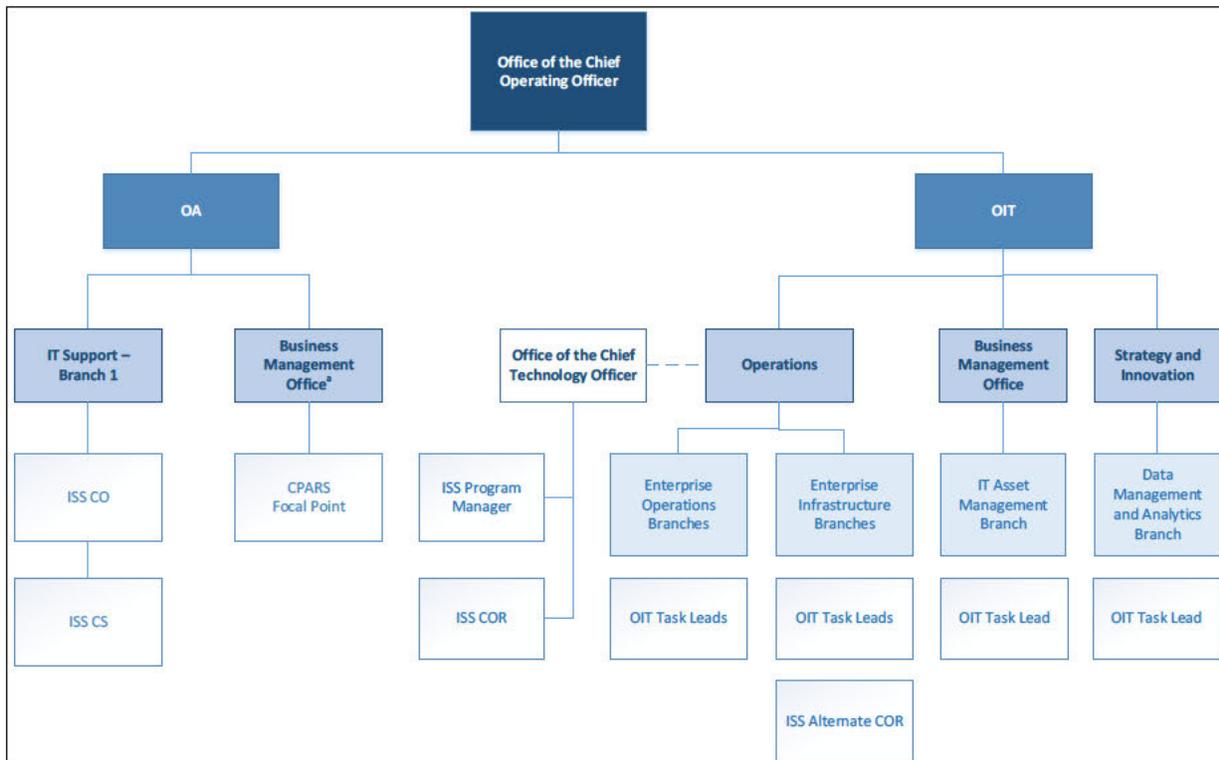
¹¹ Specific OMB memoranda include *Improving the Use of Contractor Performance Information* (July 29, 2009); *Improving Contractor Past Performance Assessments: Summary of the Office of Federal Procurement Policy's Review, and Strategies for Improvement* (January 21, 2011); and *Improving the Collection and Use of Information about Contractor Performance and Integrity* (March 6, 2013).

¹² U.S. Government Accountability Office, *CONTRACTOR PERFORMANCE Actions Taken to Improve Reporting of Past Performance Information* (GAO-14-707, August 2014).

ensure compliance with the requirements of agency contracts. As previously stated, the ISS contract covers areas critical to the SEC’s IT program and extends over multiple years. Because of the contract’s scope and complexity, as the figure below shows, personnel from across OA and OIT play a central role in managing and performing quality assurance surveillance. This includes the CO, COR, alternate COR, contract specialist (CS), program manager, and OIT task leads, among others.

The ISS contract management team has changed over time. The original COR served from January through September 2016. The second COR served from September 2016 until the third COR took over in January 2018. In addition, a program manager position was added to the ISS contract oversight in early 2018 and a new CO and CS were appointed in June and October 2019, respectively.

FIGURE. SEC Offices and Officials Involved in Aspects of ISS Quality Assurance Surveillance



³ Although the OA Business Management Office does not have a direct role in the ISS quality assurance surveillance, the office is responsible for the agency’s CPARS evaluation monitoring.

Source: OIG-generated based on SEC organizational charts and the ISS Task Lead Training (2019).

As Table 3 describes, COs are responsible for all aspects of a contract and are the only ones who can authorize changes to contract terms and conditions. The CO is assisted by a CS who provides support with contract administration tasks.¹³ The ISS contract COR assists with the administration and oversight of the performance of SRA personnel assigned to the contract. The COR also works with (1) an Alternate COR, who serves in a secondary position to the COR; (2) the program manager, who oversees the

¹³ The ISS CO and CS are responsible for the oversight of other SEC contracts.

contract’s budget; (3) 14 OIT task leads—subject matter experts—who monitor technical aspects of the contract and provide the COR with recommendations regarding acceptance of deliverables and proposed changes;¹⁴ and (4) 2 support contractors¹⁵ who assist with monitoring duties, such as invoice review and deliverable tracking.

TABLE 3. SEC Key Personnel for ISS Oversight and Monitoring

CO	COR	Task Leads
<p>Within OA, the CO is responsible for all aspects of a contract, including:</p> <ul style="list-style-type: none"> ensuring performance of all necessary actions for effective contracting; ensuring the COR is adequately administrating the contract and initiating appropriate corrective actions, as needed; ensuring the contract files¹⁶ are properly maintained in accordance with the FAR; developing, in collaboration with the Program Office, a surveillance plan for all T&M contracts; and determining the adequacy of the contractor’s performance; therefore, COs should be notified of any anticipated or actual contract performance issues. 	<p>Within OIT, the COR is responsible for:</p> <ul style="list-style-type: none"> the technical oversight and monitoring of the contract, including understanding and being well-informed of the contract and services that are to be performed; and ensuring that all documentation related to the contract is uploaded to OA’s electronic filing system [eFile], (for example, quality assurance plans, procedures, and checklists; documentation of inspection and acceptance of deliverables; documentation of all severe conditions or actions that impact contract performance and correspondence concerning contract performance, among others). 	<p>Within OIT, the task leads assist the COR in contract oversight; specifically:</p> <ul style="list-style-type: none"> recommending acceptance or rejection of deliverables; monitoring and reporting on SLAs and maintaining communication with the COR about contractor performance; and reviewing requests for changes, and all other matters impacting the ISS contract.

Source: OIG-generated based on OAOP 1 and ISS Task Lead Training (2019).

OBJECTIVES

Our overall objective was to assess the SEC’s oversight and monitoring of the ISS contractor’s performance. Specifically, we sought to:

1. determine whether the SEC developed and leveraged a QASP, SLAs, contractor performance reports, or other methods to (a) monitor and document SRA’s performance; (b) address areas of needed improvement; and (c) drive desired performance outcomes in accordance with the FAR, OMB guidance, and SEC policy;
2. evaluate the contractor’s submission of contract deliverables and the SEC’s use of those deliverables to assess the contractor’s performance; and
3. assess the SEC’s monitoring of the contractor’s corrective action plans for known performance issues.

Our scope period included actions that occurred in OP 1 (that is from August 3, 2018, through December 31, 2019). We also reviewed aspects of the contract before OP 1 and stayed abreast of

¹⁴ Some OIT task leads oversee multiple subtask areas, whereas other task lead positions are shared by more than one OIT official. Also, although ISS program management officials (COR, alternate COR, and program manager) oversee some of the subtask areas, we do not refer to them as OIT task leads.

¹⁵ The support contractor during OP 1 was SOS International LLC. The prior support contractor was CoreSphere.

¹⁶ The SEC uses the Electronic Filing (eFile) system as its system of record for current contracts, agreements, orders, and calls.

agency actions that occurred during our audit to ensure our work considered the current state of the contract, including the internal control environment.

To address our objectives, among other work performed, we (1) interviewed personnel from OA and OIT (including ISS program management officials and all 14 OIT task leads); (2) reviewed applicable federal requirements and SEC regulations, policies, and procedures; (3) reviewed the ISS contract, contract modifications, and the contract's SLA and deliverables attachments; and (4) evaluated compliance with corrective action plans submitted for the two known performance issues that occurred in OP 1. In addition, we selected and reviewed a judgmental (non-statistical) sample of 11 of the 19 subtask areas in the contract as of December 2019. We reviewed SLAs, deliverables, and other tools used by SEC personnel to monitor the selected areas.

Appendix I includes additional information about our scope and methodology, including our sampling methodology, review of relevant internal controls, and prior coverage. Appendix II summarizes our observations and examples of discrepancies we identified when reviewing deliverables submitted during OP 1.

Results

FINDING 1. THE SEC'S OVERSIGHT OF ISS CONTRACTOR PERFORMANCE COULD BENEFIT FROM ENHANCED DEVELOPMENT AND USE OF CONTRACT SURVEILLANCE TOOLS

Although federal and SEC requirements and the ISS contract itself emphasize the need for timely and effective quality assurance surveillance, the SEC did not effectively implement tools for monitoring SRA's performance to drive desired performance outcomes. Specifically, the SEC did not:

1. timely finalize or distribute a comprehensive QASP for the ISS contract (a high-risk T&M contract);
2. ensure corrective action plans were fully effective for two known performance issues (the missing IT assets and software patching incident); and
3. timely prepare required CPARS evaluations (which were all overdue, in one case by over 3 years), or include details sufficient to accurately support SRA's performance ratings.

These conditions occurred because the SEC did not prioritize establishing clear roles and responsibilities between OA and OIT officials to ensure compliance with quality assurance surveillance requirements and to successfully guide contract oversight. Furthermore, the SEC did not establish effective processes and controls for communicating contractor performance issues, monitoring contractor corrective action plans, and documenting past performance assessments. OA and OIT staff turnover exacerbated these circumstances. As a result, there were gaps in the agency's oversight of SRA, which increased the government's risk of paying for services not received. For example:

1. we found SRA's calculations for three of the six SLAs we reviewed had errors or were not properly supported, including an error that resulted in an \$11,598 retroactive credit to the agency;
2. SRA did not always timely or accurately submit required deliverables, and SEC personnel did not always take appropriate action or use deliverables to monitor contractor performance as intended;
3. OA and OIT personnel missed opportunities to formally document contractor performance issues and drive service improvement;
4. the SEC remains at risk of similar missing IT assets and software patching incidents occurring; and
5. the agency did not leverage the CPARS process to effectively communicate to SRA evaluations of its performance or make such information available for use by other federal government contracting offices.

As of November 2020, OA and OIT personnel took steps to strengthen their monitoring of SRA's performance. Nonetheless, additional actions are needed to provide further assurance that effective surveillance methods and cost controls are used for the remaining life of the contract, and to ensure that the SEC safeguards the government's interest by complying with federal, agency, and contract

requirements for quality assurance surveillance in the future. We further describe these issues in the sections that follow.

The SEC Did Not Timely Finalize or Distribute a Comprehensive QASP for the ISS Contract

As previously described, the FAR and agency requirements stress the importance of quality assurance surveillance (particularly for T&M contracts, such as the ISS contract, which are identified as high-risk). A key tool for monitoring contractor performance to drive desired performance outcomes is the QASP, and Section C.2.5, *Quality Assurance/Government Surveillance*, of the ISS contract states:

The government shall evaluate the Contractor's performance under this contract in accordance with a Quality Assurance Surveillance Plan (QASP). This plan sets forth specific surveillance methods the Government will perform to ensure that the Contractor has performed in accordance with the performance standards. The QASP is authored by the government upon acceptance of the Contractor's Quality Control Plan [QCP] and is shared with the Contractor.¹⁷

Nonetheless, SEC personnel did not timely finalize or distribute the QASP, and the QASP lacked key details.

Specifically, to help re-compete the ISS contract, in 2014 the SEC engaged a support contractor, CoreSphere, to develop a QASP, among other things.¹⁸ CoreSphere's draft QASP, dated November 7, 2016, contained a validation form for all ISS contract requirements by subtask area, including detailed breakdowns by deliverable, SLA, and sampling frequency. However, the SEC did not adopt this draft QASP. Instead, the COR created and finalized a QASP in June 2018, more than 2 years after ISS contract award.¹⁹ Furthermore, none of the 14 OIT task leads received a copy of the June 2018 QASP before or during OP 1.

The June 2018 QASP communicates the SEC's intent to use several oversight methods, including random monitoring, periodic inspection, customer input, progress or status meetings and reports, and "Task Lead escalations." However, the QASP mentions the term "Task Lead escalations" only once and does not offer information regarding its intent or process. Moreover, the QASP lacks details regarding the

¹⁷ Section C.5.4.7.5, *Quality Control Program*, of the ISS contract requires the contractor to develop a QCP—addressing specific quality control activities for each SLA, how quality control activities will be documented, and the data stores for maintaining documentation—and deliver it to the agency within 120 days of contract award (in other words, May 24, 2016). Once the SEC approved the QCP, the SEC was to develop a QASP specifying how agency personnel were to surveil and evaluate the quality given the contractor QCP. SRA submitted its QCP on September 1, 2016, 220 days after contract award or 100 days after it was originally due. Contract modification no. 4 (September 8, 2016) retroactively adjusted the date of the QCP from May 2016 to September 1, 2016. OIT and OA personnel provided feedback and the CO accepted the QCP on April 25, 2017.

¹⁸ In September 2014, the SEC awarded a contract to CoreSphere to "support OIT in developing its requirements for the ISS [contract] re-compete, identify objectives through industry and government benchmarking and staff interviews, identify quality metrics and recommend options for quality assurance procedures." CoreSphere invoiced over \$4 million for the assistance provided in the ISS contract re-compete effort, which included coordination with stakeholders and OIT task leads to develop SLAs, deliverables, and a QASP. OA staff indicated that the QASP was one part of the CoreSphere contract, which was executed on a firm-fixed price basis. Therefore, the contract pricing structure does not provide for discrete pricing of the QASP.

¹⁹ On July 1, 2020, the CO incorporated the June 2018 QASP into the ISS contract through a contract modification.

role and responsibilities of OIT task leads and their use of Performance Discrepancy Reports (PDRs) or other processes for documenting and escalating contractor performance issues, as follows:

Lack of Details Addressing OIT Task Lead Role and Responsibilities. As previously stated, the COR relies heavily on the OIT task leads to recommend acceptance or rejection of contractor deliverables and to monitor and report on whether SRA has met established SLAs. However, the June 2018 QASP does not address the role OIT task leads play in ISS contract quality assurance surveillance or their primary responsibilities. Specifically, the QASP does not address the importance of OIT task lead validations of the contractor's SLA calculations and submissions, nor does it address requirements for retaining support for such validations. In fact, the QASP makes no clear mention of task leads when explaining roles and responsibilities,²⁰ and primarily focuses on the COR's responsibilities for the government's quality assurance surveillance. According to the COR, task lead responsibilities are outlined in the *ISS Contract Task Lead Roles and Responsibilities Guide* (Guide), dated September 2019, and trainings that were offered in December 2018 and May 2019.

Although the Guide and trainings provided a brief description of OIT task lead roles and responsibilities, these documents did not: (1) identify specific surveillance methods to ensure that SRA performs in accordance with performance standards, (2) establish expectations for the frequency of surveillance, and (3) communicate requirements for documenting surveillance results. Furthermore, while the Guide contained workflows describing approvals of deliverables, it did not offer further detail on SLA review and acceptance. Moreover, the training was more than 2 years after contract award, and three OIT task leads stated that the training did not specify what was required of them for oversight in their particular areas.

Lack of Process for Reporting and Escalating Performance Issues. OA's Contract Administration Guide (2013) states that when government surveillance detects unacceptable performance, the CO will inform the contractor in writing, and the contractor should re-perform the service, if possible, or the CO should note the deficiency.²¹ This guide further provides a QASP example that includes a contract discrepancy report template that encourages responsible agency officials to document discrepancies. We also noted the ISS contract, Section C.5.4.7.5, *Quality Control Program*, states, "The government will alert the Contractor to any quality discrepancies discovered by surveillance **via written Performance Discrepancy Reports (PDRs)**" (emphasis added). The contract allows SRA 3 days to respond to PDRs, confirming or challenging the discrepancy, and describing the activities to prevent reoccurrence. However, the June 2018 QASP does not address the use of PDRs as a way alerting the contractor of quality problems noticed during surveillance, nor does it explain when this tool should be used, and by whom, to communicate the deficiencies. Although it contains a section that focuses on developing

²⁰ Although the QASP makes reference to government representative(s) and technical inspector(s), it does not define which ISS oversight personnel are in these positions, nor does it make the distinction between a government representative, technical inspector, and the COR.

²¹ The OA Contract Administration Guide provides policies and procedures for administering contracts and managing contract performance, from contract award through contract closeout. OA officials stated that this guide remains available as a resource for OA staff and OA plans to revisit the guide for potential update in fiscal year 2021.

corrective actions if minimum service level requirements are not met, the QASP does not address other surveillance tools or clear expectations on when and how to raise performance concerns.²²

When asked about the development of the June 2018 QASP, the COR explained that the document was written at a broader level to allow flexibility and to avoid frequent updates. However, given the COR's reliance on OIT task leads to monitor SRA's performance, we would expect the SEC's QASP for the ISS contract to address the role and responsibilities of task leads and how they should document and report their surveillance results.

The SEC Did Not Prioritize Development or Implementation of a Comprehensive QASP. The SEC did not timely finalize or distribute a comprehensive QASP for the ISS contract because it was not a priority. In early 2018, personnel assigned to the ISS contract management team changed. As a result, on March 5, 2018, CoreSphere re-sent to the acting CO and SEC program management officials the draft QASP, proposed validation attachments, an implementation plan, and a QASP Process Flow Diagram. The COR indicated that other priorities, such as deliverables updates, took precedent which contributed to the QASP not being completed in a timely manner. The lack of an approved and timely QASP did not comply with FAR or agency requirements.

There Were Gaps in the SEC's Oversight of SRA. Because the SEC did not timely complete and distribute a comprehensive QASP during OP 1, OIT task leads did not use the QASP to monitor and assess contractor performance and ensure SRA performed in accordance with established performance standards. Therefore, there were gaps in the agency's oversight of SRA, which increased the government's risk of paying for services not received. For example, we identified: (1) errors and improper support for some contractor SLA calculations, which led to concerns with OIT task leads' SLA validations; (2) untimely, unused, or inaccurate contract deliverables; and (3) missed opportunities to efficiently, effectively, and formally resolve contractor performance issues.

OIT task leads did not use the QASP to monitor and assess contractor performance

Errors In Contractor SLA Calculations Led To Concerns With Agency SLA Validations. As required by the ISS contract, SRA prepares and submits to the OIT task leads evidence that it has met SLA performance metrics established in the contract. We identified errors in certain contractor calculations that SEC personnel did not identify. Specifically, to validate whether the contractor's OP 1 performance met the corresponding SLAs, we judgmentally selected and tested 6 of 29 implemented SLAs (or about 21 percent).²³ In three of the six SLAs we reviewed, we determined that SRA's calculations contained previously unidentified errors or lacked proper support. For example, in December 2018, SRA submitted the supporting data for the November 2018 Service Desk Call Abandonment SLA

²² Section 6.1, *Determining Performance*, of the June 2018 QASP states, "Government shall use the monitoring methods cited to determine whether the service levels have been met. If the contractor has not met the minimum requirements, it shall be asked to develop a corrective action plan to show how and by what date it intends to bring performance up to the required levels. Failure to meet the critical performance indicator Service Levels will result in a credit to the monthly payment..."

²³ We subsequently expanded our testing and reviewed one additional SLA (First Contact Resolution SLA) based on a complaint the OIG received regarding Service Desk ticketing.

and indicated that it “passed” the SLA, or met the minimum service level. However, our re-calculation of the data found that SRA did not meet the minimum performance metric. The COR agreed with our re-calculation and, subsequently, the SRA SLA manager stated that a mistake was made and that SRA should have reported the SLA as “failed” for the month in question. This resulted in a retroactive financial credit to the SEC of \$11,598, which SRA submitted with its September 2020 invoice. In a second SLA, we noted another instance in which the contractor erroneously calculated a performance metric. Furthermore, in a third SLA we identified two instances in which the contractor calculated performance metrics that were not properly supported. OIT task leads did not identify these issues. However, in these instances, the impact to the corresponding metrics was minimal and the issues did not result in a financial credit to the agency. Nevertheless, these calculation errors and lack of adequate support are cause for concern with the SEC’s validation processes and contractor oversight. With proper validation processes, SEC personnel should have identified, documented, and communicated these inaccuracies to SRA to ensure performance that meets the government’s needs and expectations, as established in the contract.

In addition, in February 2020, the OIG received a complaint alleging that ISS Service Desk contractor personnel may have opened duplicate tickets in the SEC’s Enterprise Asset Management and Services system (ServiceNow)²⁴ and SRA may have been paid for handling duplicate tickets. As a result, we reviewed 2,787 incident tickets for a 2-week period in November 2019 and identified what appeared to be about 90 potentially duplicative tickets (or about 3 percent). We expanded our SLA testing and sought to determine the impacts, if any, of potentially duplicative tickets to our sampled Incident Resolution Priority 3 SLA and an additional First Contact Resolution SLA, whose calculations were based on ServiceNow ticketing data. We reviewed 11,004 incident tickets in a 2-month period (April and November 2019) and found about 120 potentially duplicative tickets (or about 1 percent) generated within a 3-hour window. In addition, we found that typically the same SRA personnel created the duplicative tickets. The COR initially indicated that there appears to be a “bug” in the ServiceNow system causing duplicate tickets, and the issue had existed for more than a year. However, on December 14, 2020, an OIT official stated that Service Desk technicians repeatedly submitting tickets when the system was slow to refresh caused the duplicates. Furthermore, the OIT official stated, “the Service Desk Manager raised awareness to the Service Desk Team to not click Submit again when the system is slow to respond.” Although we identified instances of potentially duplicative tickets, our re-computation of selected SLAs considering these instances did not result in SRA’s failure to meet minimum performance metrics. Nonetheless, it is concerning that duplicate ticketing occurred for more than a year and that OIT personnel did not identify it during their review of ISS contract SLAs.

Finally, we generally could not evaluate the results of the agency’s SLA validations during OP 1 because task leads were not required to document SLA reviews.²⁵ For example, our review of individual tickets underlying the Service Desk SLAs generated concerns about OIT personnel’s validation process and documentation of surveillance results. When we reviewed ticketing data, we identified instances in which

²⁴ The ServiceNow cloud-based platform supports Service Desk management of IT service requests, incidents, and approvals submitted through an “askIT” portal, and the Enterprise Asset Management and Services system hardware asset management tracking and control systems at the SEC.

²⁵ We were able to confirm that the Asset Management task lead conducted spot checks of the data provided to support the Inventory Accuracy SLA.

it was unclear whether issues (1) were resolved upon first contact with the user, (2) should have been added to existing tickets instead of created as new, and (3) included accurate timeframes for resolution. In August 2020, the Service Desk OIT task lead implemented an internal process to document the frequency and review of the area's SLAs. As part of this review, the task lead reported checking tickets underlying the Service Desk SLAs and incorporating reviews of priorities, timeframes, and resolutions. Furthermore, the OIT task lead explained he has added to his review process a "twice yearly check for incidents that appear to be duplicates to ensure this issue does not rise to the level where it would likely impact overall SLA performance." We commend this task lead's initiative in improving the validation process for his task area, but note that the QASP drafted by CoreSphere in 2016, but not implemented by the SEC, suggests that responsible parties document the frequency of their reviews.

Untimely, Unused, or Inaccurate Contract Deliverables. Our review of ISS contract deliverables determined that SRA did not always timely or accurately submit required deliverables, and SEC personnel did not always take appropriate action or use deliverables to monitor SRA's performance as intended. In November and December 2017, the then CO communicated to SRA's contracts manager that the SEC had not received about half of the 105 required deliverables specified in the ISS contract at that time. To determine whether the SEC received required deliverables during OP 1 and used those deliverables to assess the contractor's performance, we judgmentally selected 11 deliverables from the subtask areas we reviewed²⁶ and noted the following:²⁷

- Seven of the deliverables (or about 64 percent of our selection) were received late at least once during OP 1 or, in some cases, were never received. For example, according to the COR, OIT may have misattributed delivery of a similarly named plan to the Availability Management Plan deliverable (due bi-annually), which documents the processes and strategy for managing the availability of the IT services supported by the ISS contract. OIT did not receive this deliverable until December 2020, or about 4 years after SRA began performance.
- Two deliverables were unused for at least a portion of OP 1. For example, around late 2019, OIT task leads requested removal of the Infrastructure Status Report deliverable, which shows server use and capacity, as they found other products for monitoring more useful. However, this deliverable remained in the contract until November 2020.
- Four deliverables were frequently automatically accepted²⁸ (at least 67 percent of the time), which meant there was no documentation of OIT task lead acceptance. For example, the Patch Management report deliverable was automatically accepted for 15 out of 17 months. Furthermore, SLA testing found that SRA submitted the wrong Patch Management report

²⁶ Appendix I of this report provides more information on the selected 11 subtask areas. These subtask areas had 47 deliverables out of the 63 deliverables on the contract as of OP 1. Of these, we judgmentally selected 11 deliverables for testing.

²⁷ Appendix II of this report provides more information on these 11 deliverables, which were required to support various task areas at different frequencies, such as on a weekly, monthly, or annual basis. Specifically, we reviewed over 120 submissions associated with these 11 deliverables throughout OP 1.

²⁸ According to the *ISS Contract Task Lead Roles and Responsibilities* (2019) guide, OIT task leads have 5 days to accept or reject a submitted deliverable. If rejection is not sent within that period, the deliverable is automatically considered accepted.

deliverable for 2 out of the 3 months we reviewed,²⁹ which went unnoticed by OIT personnel until our audit inquiries.

By not ensuring ISS contract deliverables are timely, used, and accurate to manage the contract as intended, the agency may be unable to effectively monitor contractor performance, and increases its risk of paying for services not received.

Missed Opportunities To Formally Document Contractor Performance Issues. As previously stated, the ISS contract allows for the use of PDRs to formally alert SRA of quality problems noticed during surveillance and to require a response and a plan to prevent reoccurrence. However, the June 2018 QASP does not address PDRs, when this tool should be used, and by whom. We determined that, without clear guidance in the QASP for addressing contractor performance issues, such as available tools, escalation processes, and roles and responsibilities, the SEC missed opportunities to formally document such issues and drive service improvement. For example, during a period of 5 or more consecutive months in OP 1, SRA consistently failed to meet minimum performance targets for four SLAs in Task Area 1. Three of these performance targets were critical performance indicators, whereas the remaining one was a key performance indicator. In addition, in March 2019 the CO requested that SRA provide an explanation and plan for corrective action to address a number of quality, schedule, cost, and management issues, including over 800 open Service Desk tickets and a need to fill critical contractor positions. However, neither OIT nor OA officials created or provided SRA any PDRs to formally document or manage these issues. Therefore, SRA officials interpreted the agency's concerns as informal, stating the following in response to the CO's March 2019 request:

Based on our conversation, we understand this is to be an informal communication mechanism to resolve performance concerns. This is not a cure notice, and you are not looking for a multi-page corrective action plan, in short you are looking for a bulleted response to these items.

Throughout 2020, SRA continued to miss deliverable due dates despite repeated discussion of delays during meetings and in e-mails from the COR.³⁰

The SEC Did Not Ensure Corrective Action Plans Were Fully Effective for Two Known Performance Issues

According to FAR Subpart 1.602-2, *Responsibilities*, COs are responsible for ensuring compliance with the terms of the contract, and safeguarding the government's interests.³¹ The ISS contract states the government will alert the contractor to any quality discrepancies discovered by surveillance via written PDR; however, PDRs were not used in OP 1 nor did the contract specify requirements for corrective action plans. During OP 1, corrective action plans were prepared for the following two incidents:

²⁹ The Patch Management report deliverable is provided to assist the OIT task lead validate the Patch Management SLA.

³⁰ In October 2019 and July 2020, the COR provided detailed lists of about 13 and 21 late deliverables, respectively. In July 2020, the COR requested a plan for how the contractor was to remediate this issue.

³¹ As previously stated, according to SECOP 10-15, and OAOP 1, the COR is responsible for notifying the CO of any anticipated or actual contract performance issues.

- In November 2018, an SEC laptop was noted as missing from SRA-controlled space, which led to further inquiry and discovery of additional assets missing from the ISS Service Desk inventory.³²
- In July 2019, SRA staff erroneously deployed a software patch to 825 SEC laptops, rendering them inoperable.

However, OA and OIT personnel did not ensure the corrective action plan for either incident was fully effective because the agency has not established controls over corrective action plans. Specifically, the SEC's ISS contract oversight officials have not developed expectations for formalizing or tracking contractor corrective actions plans, including roles and responsibilities of key personnel, review processes, and the level of validation and supporting documentation required to assess plans' effectiveness.

We further describe below the two incidents and the actions taken in response.

IT Assets Missing from SRA-Controlled Space. According to the ISS contract, SRA was required to accurately account for all SEC IT desktop equipment, software, mobile computing devices, and infrastructure hardware and software, during the entire life cycle of asset management, including delivery and staging, asset tracking, asset deployment, license management, and asset disposal.³³ On November 14, 2018, after an SEC laptop was reported missing from the ISS Service Desk inventory managed by the contractor, SRA submitted a plan to prevent further asset loss or theft and to increase its overall IT asset inventory accountability. The plan included (b) (7)(E) (2) completion of bi-weekly audits of all "high value" assets³⁴ assigned to ISS contract inventory management groups; and (3) monthly third party³⁵ inventory audits via physical validation of each asset.

We found that SRA implemented (b) (7)(E) and provided the agency with the audit reports as stated in the corrective action plan. However, the exact number of SEC laptops missing since 2018 from SRA-controlled space at the agency's headquarters was unknown to SEC contract management personnel, as we received conflicting and inconsistent information during our audit. For example, agency documents and personnel indicated that as many as eight or as few as three SEC laptops with varying serial numbers were lost or stolen from at least two different locations. The CO stated that because of the varying information received from different sources, she defers to the COR on the accurate number of computers in question as OIT is the definitive source for inventory management. According to the COR, SRA submitted an outline of the steps it would take to prevent further asset loss or

³² SEC Administrative Regulation 9-2, Revision (Rev.) 4, *Property Management* (SECR 9-2), dated October 22, 2018, designates laptops as sensitive property. The policy states that OIT's Asset Management Branch is responsible for managing laptops in accordance with sensitive property procedures. Additionally, the policy states that employees and contractor staff are responsible for reporting immediately to their Property Custodian/IT Specialist or Service Desk any personal property that is lost, missing, damaged, or destroyed.

³³ As a result of a 2017 cure notice on Service Desk inventory controls, the contractor provided a corrective action plan that included a Deskside Support Inventory Management standard operating procedure. The procedure called for an inventory audit deliverable to be submitted on a monthly basis. Appendix II discusses this deliverable.

³⁴ SRA identified HP, MacBook, and iPad devices as "high value."

³⁵ OIT clarified that "third party" refers to SRA employees who are not part of the group being audited.

theft; however, a formal corrective action plan was not requested or implemented in response to the missing laptop incident. The CO acknowledged that OIT task leads and the COR monitor the contractor's performance. The CO explained that contractor corrective action plans are monitored via weekly communications and meetings between the contractor and the COR. The CO also stated that OA expects the contractor to follow the steps outlined in its plan.

It is worrisome that OA and OIT officials had conflicting information regarding missing assets and different expectations as to the implementation of SRA's corrective action plan. In November 2020, we learned that an additional SEC IT asset under the contractor's custody went missing. By not establishing what and how many assets have gone missing, how the assets were lost or stolen, and the severity of the issue, the agency cannot ensure SRA's corrective action plan adequately addressed the risk, and may be at risk of additional asset loss. Proper implementation of written requirements to inform SRA of performance discrepancies and processes for escalating performance issues may have mitigated the miscommunications between OA and the OIT program management officials and help mitigate the risk of additional losses.

(b) (7)(E) *Software Patching Incident.* According to the ISS contract, SRA is responsible for the distribution, installation, and maintenance (such as upgrading and patching) of approved software. On July 22, 2019, the SEC OIT Service Desk received a significant number of calls indicating that SEC computers were not starting up normally. The SEC determined that an SRA employee had erroneously deployed a **(b) (7)(E)** software patch to 825 laptops, leaving the laptops inoperable.

OIT's End User Technology (EUT) team worked with SRA personnel to develop operational and technical actions to mitigate the risk of another software patching incident on software changes that affect 100 or more SEC workstations. Those actions included retraining current SRA staff, implementing checklists, training new SRA employees, and modifying standard operating procedures.³⁶ To verify whether the corrective action plan for the patching incident was effective, we requested supporting documents for all 8 software changes that affected 100 or more SEC workstations between August 2019 and January 2020.

We found the corrective actions were not being used or documented as intended, nor were OIT oversight officials reviewing them for compliance. For example, the SRA team adopted a checklist³⁷ to ensure two different people review software changes that may affect a significant portion of the SEC's infrastructure before such changes are implemented. Under this new process, two contractor engineers—an implementing engineer and a validating engineer—must review and sign their assigned portions of the checklist, validating that certain steps have been taken, before implementing actions that affect 100 or more SEC workstations. We found all the newly required checklists intended to mitigate the risk of similar incidents were incomplete or incorrectly filled out to varying degrees. For example, for three of the eight software changes (about 38 percent) the checklists were missing the implementing engineers' sign off.

³⁶ The corrective action plan indicated that these processes were complete as of August 2, 2019. Furthermore, the EUT task lead confirmed that the checklist was implemented as of August 2019.

³⁷ The EUT team created a checklist that applies to two core change management components related to **(b) (7)(E)**: (1) patch upgrades, and (2) policy changes. Within the checklist, there are separate forms to document each type of change.

According to the EUT team, because there are only two senior contractor (b) (7)(E) engineers, the implementing engineer is automatically assigned to work on the software change; therefore, it is more important for the validating engineer portion of the checklist to be complete to indicate a peer review occurred before implementation. However, without the proper controls to ensure that both contractor engineers are completing the steps outlined in the checklist, the agency remains at risk of another (b) (7)(E) incident. Furthermore, we found that for four of the eight changes (or 50 percent) the engineer filled out the policy changes checklists even though it was not applicable. According to the EUT team, the checklist was a newly adopted process, which contributed to the incorrect completion by SRA personnel of the policy checklist.

We reviewed the EUT team responses to this matter and determined that the checklists are not being completed as intended by the corrective action plan and are, therefore, of limited value. Without proper controls to ensure these mitigation activities are effectively implemented, the SEC remains at risk of a repeat or similar software patching incident.

The SEC Did Not Timely Prepare Required Contractor Performance Evaluations or Include Details Sufficient To Accurately Support SRA's Performance Ratings

As previously stated, the FAR, OMB memoranda, OAOP 1, *Acquisition*, and SECOP 10-1, *Acquisition Authority and Lifecycle*, require SEC personnel responsible for contractor oversight to assess and document contractors' performance in the CPARS to ensure the federal government makes informed business decisions when selecting prospective contractors. According to the FAR, CPARS evaluations must be performed annually and at the time the work under the contract is completed, and include an assessment of contractors' (1) technical/quality, (2) cost control, (3) schedule/timeliness, (4) management or business relations, (5) small business subcontracting, and other factors, as applicable.³⁸ Although the SEC has made improvements in the CPARS process, we determined that the agency did not timely complete ISS contract CPARS evaluations for the period of April 2016 through December 2019, and could improve its evaluation narratives to accurately support SRA's performance ratings.

According to OAOP 1, the COR is responsible for initiating and completing the performance evaluation, which is reviewed and approved by the CO. These officials shall ensure that the information in the CPARS evaluation accurately depicts the contractor's performance. OA guidance further explains evaluations are overdue if not completed within 120 days after the contract's performance period end date, which follows government-wide CPARS objectives.³⁹ Additionally, OAOP 1 states that the OA

³⁸ The FAR defines a 5-scale CPARS rating system—*Exceptional*, *Very Good*, *Satisfactory*, *Marginal*, and *Unsatisfactory*—for each of the factors supported by a narrative. FAR Subpart 42.1503(b)(1) states that CPARS evaluations should include clear, relevant information that accurately depicts the contractor's performance and be based on objective facts supported by program and contract performance data. For example, FAR Table 42-1, *Evaluating Rating Definition*, explains that to "justify a Satisfactory rating, there should have been only minor problems, or major problems the contractor recovered from without impact to the contract/order. There should have been NO significant weaknesses identified."

³⁹ According to the CPARS User Manual issued by the CPARS Project Manager at the Naval Sea Logistics Center, the CPARS "due date" in the system is the date the evaluation for the period of performance is due, or the period of performance end date plus 120 days. The manual states an automatic notification is sent to the Assessing Official and Focal Point when an evaluation is not completed within the 120-day objective.

Business Management Office Branch Chief or designee (who serves as the SEC’s CPARS Focal Point) has the responsibility to establish processes to monitor the quality and integrity of the SEC’s CPARS evaluations. The SEC’s CPARS Focal Point specified that quality is typically monitored via the two-step process of a COR entering evaluations and the CO reviewing them, although other stakeholders and subject matter experts may be asked for input depending on complexity or other factors.

At the outset of our audit in February 2020, we sought to review the SEC’s CPARS evaluations covering SRA’s performance from the initial contract transition period through OP 1. However, we found that the ISS CORs and COs had not completed any annual evaluations in accordance with the FAR and OA’s internal policies.⁴⁰ Although the ISS contract performance began in April 2016, as Table 4 shows, OA did not submit the first CPARS evaluation for the transition period until over 3 years after it was due. Moreover, when the SEC completed the overdue CPARS evaluations of SRA’s performance, OA and OIT personnel included the minimum factors required by the FAR; however, the agency could have better supported the ratings to enhance the quality of its CPARS evaluations.

TABLE 4. Summary of the SEC’s ISS Contract CPARS Evaluations as of OP 1

Performance Period Assessed	Dates of Performance	Date CO Submitted	Approximate Time Overdue
1. Transition Period	4/4/16 – 8/2/16	3/5/20	3 years 4 months
2. Base Year 1	8/3/16 – 8/2/17	4/9/20	2 years 5 months
3. Base Year 2	8/3/17 – 8/2/18	5/29/20	1 year 6 months
4. Option Period 1	8/3/18 – 12/31/19	9/30/20	5 months

Source: OIG-generated based on the ISS contract, CPARS evaluations, and the CPARS User Manual.

Although SEC personnel included more description in each progressive ISS contract CPARS evaluation, we found the narratives could use improvement to ensure the information accurately depicts SRA’s performance. Specifically, for the first two CPARS evaluations, we noted the SEC elaborated on the ratings only when the contractor rated (b) (4), (b) (3) (A). For example, the contractor rated (b) (4), (b) (3) (A) within the transition period, and the only comments were (b) (4), (b) (3) (A). Moreover, in the base year 1 evaluation, SEC personnel added more descriptions to the narratives and gave SRA (b) (4), (b) (3) (A).⁴¹ However, (b) (4), (b) (3) (A), which SEC personnel did not document in the CPARS evaluation. For example, (b) (4), (b) (3) (A)

(b) (4), (b) (3) (A)
 (b) (4), (b) (3) (A)
 (b) (4), (b) (3) (A)
 (b) (4), (b) (3) (A)

⁴⁰ OA reported it is focusing on and making progress in reducing the backlog of CPARS evaluations. When reviewing agency-wide CPARS information, we determined that on January 13, 2020, the SEC had 50 contracts for which the COR was overdue in submitting CPARS evaluations. Although this number fluctuates, we noted that, as of January 5, 2021, the SEC had 7 contracts with overdue CPARS evaluations.

⁴¹ Specifically, in the base year 1 evaluation, SRA received (b) (4), (b) (3) (A) ratings for (b) (4), (b) (3) (A) and was rated (b) (4), (b) (3) (A) for (b) (4), (b) (3) (A).

(b) (4), (b) (3) (A)

While the SEC provided more details in its evaluation for base year 2 and OP 1, it continued to rate the contractor (b) (4), (b) (3) (A) without explaining how SRA (b) (4), (b) (3) (A)

For example, (b) (4), (b) (3) (A)

Although the FAR (b) (4), (b) (3) (A)

a government-wide CPARS guide⁴² (b) (4), (b) (3) (A)

(b) (4), (b) (3) (A)

The CPARS Program Office also provides a CPARS Quality Checklist with sample narratives in which (b) (4), (b) (3) (A)

(b) (4), (b) (3) (A)

Furthermore, OA's own CPARS template highly recommends, although does not require (b) (4), (b) (3) (A)

, and provides an example. Additionally, (b) (4), (b) (3) (A)

(b) (4), (b) (3) (A)

(b) (4), (b) (3) (A), the SEC should ensure it clearly addresses these requirements when using this rating. We found some instances of (b) (4), (b) (3) (A)

SEC Staff Turnover and a System Issue Were Contributing Factors. OA personnel cited ISS contract management team turnover—specifically, turnover in assigned CORs and COs—as the reason for the gap in the SEC's ISS contract CPARS evaluations. OA's CPARS Focal Point also explained that a lack of activity in the CPARS for 2 years caused the system to auto-archive information related to the ISS contract, preventing the contract from showing up on the overdue CPARS list.

Although we acknowledge a change in CORs in September 2016 and January 2018, the CO remained the same for the first 2 years of the contract and was ultimately responsible for ensuring CPARS evaluations were completed. In addition, annual requirements for CPARS evaluations completed by COs and CORs remained consistent, demonstrating that the SEC did not have effective processes to achieve timely and accurate CPARS evaluations by oversight officials. Furthermore, we noted OA's acquisition policies and regulations⁴³ regarding contractor performance assessments could be improved to clarify due dates and narrative contents of CPARS evaluations to more fully support ratings. In April 2020, OA implemented a new overdue CPARS process that involves weekly-targeted e-mails to the CO, COR, and OA management, and then re-assignment to the CO after 2 weeks.

⁴² The *Guidance for the Contractor Performance Assessment Reporting System (CPARS)*, available on *CPARS.gov*, is non-regulatory in nature and intended to provide useful information and best practices to the workforce. It includes a consistent process and procedures for agencies to use when reporting on past performance information, should be read in conjunction with FAR Part 42.15 and other FAR parts related to past performance information, and should not conflict with additional agency policies. Although a version of this guide was released in October 2020, we confirmed that the prior version released in July 2018 was substantially the same.

⁴³ Specifically, we reviewed OAOP 1, *Acquisition* (October 2020); SECOP 10-1, *Acquisition Authority and Lifecycle* (May 2019); SECR 10-1, *Acquisition Authority and Lifecycle* (May 2019); and SECOP 10-15, *Contracting Officer's Representative* (March 2018). In these documents, we noted outdated references in related CPARS sections to old systems or policies. An OA official informed us in May 2020 that OA plans to update the SECOP 10-15 as part of its normal policy review cycle within the year.

The SEC Did Not Leverage the CPARS Process To Effectively Communicate Contractor Performance Evaluations or Make Such Information Available to Other Federal Government Contracting Offices. Complete and timely information on contractors' past performance is critical to ensure the government does business only with companies that deliver quality goods and services on time and within budget. By delaying CPARS evaluations and not having detailed narratives and narratives that accurately support SRA's ratings, the SEC did not leverage the process to effectively communicate to SRA areas for improvement in its performance. In addition, the SEC's management of its ISS contract CPARS evaluations did not ensure other federal government contracting offices had pertinent information available to facilitate informed business decisions when selecting prospective contractors.

RECOMMENDATIONS, MANAGEMENT'S RESPONSE, AND EVALUATION OF MANAGEMENT'S RESPONSE

To improve the SEC's contract management, including management of the ISS contract, we recommend that the Office of Acquisitions:

Recommendation 1:

Evaluate quality assurance surveillance guidance available in the Office of Acquisitions' Contract Administration Guide and incorporate applicable guidance and examples into the agency-wide contract administration policies to ensure oversight personnel understand its applicability and develop timely contract quality assurance surveillance plans.

Management's Response. Management concurred with the recommendation. The Office of Acquisitions will evaluate the existing quality assurance surveillance guidance in the Office of Acquisitions' Contract Administration Guide for oversight personnel, and will update and communicate the revised guidance, including emphasizing the importance of timeliness. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 2:

Update the agency's policies and procedures to enhance the timely and quality reporting of past performance information by clarifying Contractor Performance Assessment Reporting System report (1) due dates, and (2) narrative contents to more fully support contractor ratings, in accordance with Federal Acquisition Regulation requirements and government-wide guidance.

Management's Response. Management concurred with the recommendation. The Office of Acquisitions will review and update SEC policies and procedures for Contractor Performance Assessment Reporting System due dates and support narrative and communicate those updates to the Contracting Officers and Contracting Officer Representatives responsible for Contractor Performance Assessment Reporting System reporting. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

To improve the SEC's monitoring and oversight of the ISS contract, specifically, we recommend that:

Recommendation 3:

The Office of Acquisitions, in coordination with the Office of Information Technology, enhance the contract quality assurance surveillance plan to incorporate:

- a. Office of Information Technology task lead roles and responsibilities;
- b. the frequency, method, and level of detail required for SEC oversight personnel to adequately assess and document their review of contract service level agreements, deliverables, and determination of acceptability;
- c. requirements for the use of Performance Discrepancy Reports, or other similar reports, to alert the contractor in writing of any quality discrepancies discovered during quality assurance surveillance; and
- d. a process for formalizing corrective action plans, monitoring the implementation and execution of the plans, and elevating to the Office of Information Technology program management officials and the Contracting Officer outstanding performance issues.

Management's Response. Management concurred with the recommendation. The Office of Acquisitions and the Office of Information Technology will revise and enhance the ISS contract quality assurance surveillance plan to incorporate appropriate updates, including the content listed in items above. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 4:

The Office of Acquisitions ensure the ISS contract quality assurance surveillance plan and any updates are distributed to the appropriate SEC oversight personnel.

Management's Response. Management concurred with the recommendation. Upon completion of quality assurance surveillance plan updates in Recommendation 3, the Office of Acquisitions will ensure that the document is distributed to the appropriate SEC oversight personnel. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 5:

The Office of Acquisitions, in coordination with the Office of Information Technology, establish a process of when and how to communicate to the ISS Contracting Officer when assets under the contractor's control go missing.

Management's Response. Management concurred with the recommendation. The Office of Acquisitions and the Office of Information Technology will establish a process for communicating to the ISS Contracting Officer when assets under the contractor's control are unaccounted for. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

Recommendation 6:

The Office of Information Technology ensure an SEC End User Technology employee reviews and validates the checklists prepared by the contractor to confirm they are adequately completed and meet the requirement of the corrective action plan for the (b) (7)(E) software patching incident.

Management's Response. Management concurred with the recommendation. Management indicated that the Office of Information Technology has begun a review of the process for maintaining the checklists the SEC instituted for change management activities related to: (1) (b) (7)(E) patch upgrades, and (2) (b) (7)(E) policy changes. These checklists identify the implementer and lead validator for each type of change. Office of Information Technology plans to create an operating procedure that defines documentation requirements, checklist activities, and onboarding training. If necessary, the corrective action plan from the previous incident will be updated to reflect this new procedure. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

FINDING 2. THE SEC MADE PROGRESS TO IMPROVE DELIVERABLES REQUIREMENTS, BUT A PERIODIC REVIEW PROCESS FOR UPDATES IS NEEDED

According to SECOP 10-15, *Contracting Officer's Representative*, the COR must ensure that all required items, work products, documentation, data, and reports are submitted as required by the contract and perform final inspection and acceptance of all deliverables. As previously mentioned, when T&M contracts are used, SECOP 10-1 states all SEC stakeholders must work together to ensure compliance with the requirements of the contract. During the course of the ISS contract, the SEC revised its expectations for required deliverables on multiple occasions. For example, the number of required deliverables changed from a high of 105 deliverables at the beginning of the contract to 63 deliverables during OP 1. However, OA and OIT personnel did not clearly identify or track deliverables updates throughout the contract's performance. This occurred because OA and OIT did not coordinate to implement updates to required deliverables throughout all contract documents, including clearly

establishing requirements for what constitutes a deliverable versus other "ad hoc" reports⁴⁴ or work products. Moreover, the SEC did not have a consistent process for reviewing and incorporating updates to deliverables requirements that included all stakeholders during OP 1. As a result, we identified discrepancies in the frequencies, descriptions, and submission status of some deliverables submitted in OP 1 between the

During 2020, OA and OIT personnel worked together to reconcile the language in the contract's SOW to its deliverables attachment

contract, OIT trackers, and records of deliverables received. During 2020, OA and OIT personnel worked together to reconcile the language in the contract's SOW to its deliverables attachment. However, a periodic review process is needed to ensure updates are accurately reflected in the contract documentation and to ensure these monitoring tools are relevant, useful, and driving desired performance outcomes.

The SEC Did Not Properly Identify or Track Updates to Deliverables Throughout the Contract's Performance

The ISS contract included revisions to its deliverables throughout the contract's performance. After challenges with receiving deliverables on time,⁴⁵ the SEC worked jointly with SRA in late 2017 and early 2018 to correct disconnects between what the contractor stated was delivered and what the SEC received, and to document and update the deliverables workflow. According to the former CO, changes made to the 105 deliverables originally on contract—including deletions, additions, modifications, and

⁴⁴ Although not defined in the contract, the COR explained that ad hoc reports were requests for information that may not be required on a regular basis. In contrast, a deliverable is an accountable item defined in the ISS contract to provide the OIT task lead with operational plans, standard operating procedures, and periodic operational insight to recent performance of resources or equipment. Furthermore, a deliverable will generally contain an analysis of the periodic data to provide views for improvements, rationale for performance deviations, or results from operational decisions and is usually something OIT officials deem important for performance or a performance indicator. Finally, a work product is also a report but not formally accountable contractually; rather, it is generally an automated report generated by a system or tool to provide periodic data of recent activity.

⁴⁵ The former CO prepared a February 2018 memorandum stating that SRA was not submitting deliverables on time—the SEC had yet to receive about half of the required deliverables—and that in hindsight the CO should have elevated the issue or issued a cure notice.

designation as “ad hoc” reports—were to be reflected in the next contract modification to the SOW and within a new Attachment 21, which would summarize all changes and capture the deliverables and ad hoc reports required on contract. In early 2018, the ISS program also experienced a change in OIT program management officials. The incoming COR implemented deliverables process improvements, such as an ISS Deliverables mailbox to monitor deliverables submissions and, through assistance from a support contractor, implemented a deliverables tracking spreadsheet.

Despite revising their expectations for required deliverables, OA and OIT personnel did not reconcile all changes in the ISS contract. Although an OA Branch Chief modified the contract in March 2018 to “Incorporate Attachment 21 – *Deliverables*, **which replaces the deliverables in the SOW**” (emphasis added),⁴⁶ we noted the SOW section C.5, “Specific Tasks,” still identified reports and deliverables that did not reflect all updates made to the deliverables attachment. Moreover, the deliverables designated as “ad hoc” reports were not included in Attachment 21, yet some of these reports remained in the SOW. OA and OIT personnel continued to update Attachment 21 in 3 subsequent modifications, with 63 deliverables listed as of the end of OP 1. Meanwhile, the agency kept incorporating the SOW with references to outdated deliverables.

We compared the SOW (dated April 2020) to Attachment 21 (dated July 2019),⁴⁷ and identified about 80 inconsistencies. Specifically, we found about 20 instances of deliverables in Attachment 21 that we could not locate in the SOW or had a different frequency; in addition, we found about 60 instances of reports, plans, or other tasks in the SOW that were not listed as a deliverable in Attachment 21.

The SEC Did Not Have a Consistent Process To Incorporate Deliverables Updates on Contract

While improving management of deliverables, the ISS deliverables process updates in early 2018 did not specify expectations for reviewing and updating deliverables requirements. Neither OA nor OIT personnel coordinated to ensure the ISS contract and its surveillance documents incorporated all changes made to deliverables until over 2 years later. In May and June 2020, the CO and CS performed a review and noted that the SOW was not up to date with respect to required deliverables. In September 2020, we also provided OA officials with our observation of inconsistencies between the SOW and Attachment 21.

Through coordination with the COR, the CO updated the contract in October and November 2020 to reconcile the SOW and Attachment 21 items. The CO reported the initial reconciliation focused on removing all ad hoc reports from the SOW. On September 10, 2020, the CO informed OIT program management officials that “OA’s policy indicated ‘It is recommended best practice to modify the contract to include the ad hoc deliverables in the deliverables table.’ However, in an effort to be consistent with the previous CO’s decision and in consideration of everyone’s position, I will modify the contract accordingly.” Based on discussions with OIT task leads, we confirmed that some rely on ad hoc reports for monitoring their areas. Although OIT task leads reported being able to access or request ad hoc reports when needed, we believe OA should continue working with OIT to establish clear definitions regarding

⁴⁶ Accordingly, the SOW section F.2, *Schedule of Deliverables*, which previously included a listing of all deliverables, stated to “Refer to Attachment 21 – Deliverables.”

⁴⁷ As of September 2020, these documents represented the latest contract versions at the time of our review.

deliverables, ad hoc reports, and other work products to ensure task leads can continue to receive the information they need to adequately monitor their areas.

Furthermore, although OIT program management officials reported efforts beginning in OP 1 to review the deliverables and determine their value with OIT task leads, progress was hindered when the support contractor leading the effort left the SEC. The COR also reported that updates to deliverables were impacted because of limited staffing. Throughout OP 1, OIT did not have a consistent process to review the deliverables required with all relevant stakeholders to ensure those deliverables were still meeting their intended purpose.

Discrepancies in Frequencies, Descriptions, or Submission Status Remain a Challenge To Tracking Deliverables

After reviewing the ISS contract's deliverables and selecting a judgmental sample for detailed testing of submission records in OP 1, we identified discrepancies in the descriptions, frequencies, and status of deliverables between the contract, OIT tracking spreadsheets, and records of deliverables received. For example, the weekly Infrastructure Status Report deliverable was being tracked and delivered at an incorrect monthly frequency until April 2019, when the COR noted the error. Furthermore, the OIT task leads explained this report was no longer useful and requested removal from the contract around late 2019, yet it remained on contract through November 2020. In another instance, SRA was submitting the Printer and Copier Report deliverable monthly instead of quarterly (as required) in OP 1 through mid-2019. After the COR clarified the frequency requirement, for two consecutive quarters, the SEC did not receive this deliverable, which was used to validate and assess the completeness of the agency's printer and copier inventory. Because the Printer and Copier Reports were intended to reflect a snapshot of inventory in time, they could not be recreated and were therefore not delivered. Table 8 of Appendix II provides further examples of discrepancies. These discrepancies likely contributed to difficulties in tracking deliverables to ensure they were timely received and used to assess the contractor's performance in OP 1, as Finding 1 discusses.

In another instance, we found that the contractor delivered monthly a Service Desk inventory report in accordance with a standard operating procedure;⁴⁸ however, this report was not captured or tracked as part of the contract's official deliverables. Additionally, OIT task leads reported receiving reports consistently as part of their monitoring, such as weekly branch status reports or monthly operational activities reports, which are not included in Attachment 21. According to the COR, these would be considered operational work products and the requestor, in most cases the OIT task lead, would be responsible for tracking. However, based on the explanation of work products previously provided by the ISS program management office, it does not appear that these are automated reports. Considering budgetary constraints in fiscal year 2021, we believe it is particularly important for OA and OIT officials to ensure deliverables, ad hoc reports, and other work products required by the contract are clearly defined, relevant, and useful to improve tracking and to drive desired performance outcomes.

⁴⁸ ISS *Deskside Support Inventory Management Standard Operating Procedure* (May 2018).

Around February 2020, SEC officials and the contractor executives established an ISS governance board consisting of voting members from OIT, OA, and SRA contract management, to prioritize projects and bolster communication. The COR explained this board would be used to vet deliverables and SLA updates, and we noted discussions of some deliverables during a July 2020 board meeting. However, we did not see a deliverables review process discussed in the board's charter. We also noted the OIT task leads were generally not members, despite their role as ISS oversight officials responsible for the deliverables in their areas.⁴⁹ We believe the SEC would benefit from a process to periodically review the deliverables and ensure feedback is considered from key oversight officials, including OIT task leads. As part of an enhanced review process, OA and OIT personnel should continue to review the ISS SOW and attachments to identify and correct inconsistencies in requirements and ensure all future updates made to its deliverables attachment are accurately reflected in the contract and its supporting documents.

RECOMMENDATION, MANAGEMENT'S RESPONSE, AND EVALUATION OF MANAGEMENT'S RESPONSE

To improve the SEC's monitoring and oversight of the ISS contract, we recommend that:

Recommendation 7:

The Office of Acquisitions, in coordination with the Office of Information Technology:

- a. establish definitions of deliverables, ad hoc reports, and work products, and clarify requirements for tracking these items in the ISS contract or procedure documents; and
- b. formalize a process to periodically assess ISS contract deliverables, ad hoc reports, and work products to ensure (1) they meet the needs of SEC contract oversight personnel, (2) they conform to the established definitions, and (3) any resulting updates are accurately reflected in the contract and contract attachments.

Management's Response. Management concurred with the recommendation. Office of Acquisitions, in coordination with Office of Information Technology, will clarify definitions for deliverables, ad hoc reports, and work products, and the tracking of these items. Office of Acquisitions and Office of Information Technology will also formalize a process for periodically ensuring that ISS contractor deliverables, ad hoc reports, and work products continue to meet SEC needs and conform to contract requirements. Management's complete response is reprinted in Appendix III.

OIG's Evaluation of Management's Response. Management's proposed actions are responsive; therefore, the recommendation is resolved and will be closed upon verification of the action taken.

⁴⁹ Within the governance board, we noted the ISS enterprise oversight committee has the SEC regional office task lead as a non-voting member, but we did not identify any other OIT task leads mentioned in the charter. Although an ISS governance board briefing describes task lead involvement in the governance structure and communication flow, the charter does not include this information.

Other Matters of Interest

During our audit, we identified three matters that did not warrant recommendations. We discussed these matters, described below, with agency management for their consideration.

Maintenance of Complete ISS Contract File

According to applicable sections of the FAR⁵⁰ and SECOP 10-15, *Contracting Officer's Representative*, the COR must ensure that all required items, work products, documentation, data, and reports are submitted as required by the contract and perform final inspection and acceptance of all deliverables. Furthermore, SECOP 10-15 and OAOP 1, *Acquisition*, state the COR must ensure all documents, including those related to inspection and acceptance of deliverables, are maintained in eFile.

We found that deliverables records for the ISS contract were not complete in eFile as of the end of OP 1. Specifically, deliverables received before February 2018 were not located in eFile and were initially housed on a SharePoint site that is no longer accessible. Transitions between CORs in January 2018 and new eFile system requirements contributed to recordkeeping challenges. Although OA communicated guidance that all contracts not expired by October 2017 and COR files had to be uploaded to eFile by January 2018, the earliest records of ISS deliverables we found in eFile were uploaded in March 2018 by the current COR. The COR added some deliverables within a month or two following receipt, yet some were uploaded 1 to 2 years after receipt. Delayed uploading of deliverables to eFile (the system of record) increases the likelihood that deliverables received may not be filed, or that deliverables not received or past due may be overlooked.

OA explained that it is up to the CO to set expected timeframes for CORs to upload records to eFile and referred to OA guidance on contract file documentation responsibilities when CORs transition.⁵¹ Around February 2020, we noted that the COR improved the filing of ISS contract deliverables in eFile. We encourage the COR, in coordination with the CO, to ensure all applicable deliverables are recorded in eFile.

Task Lead Training Requirements for Contract Performance

In addition to those formally designated as CORs, OMB Memorandum, *Revisions to Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR)*, (dated September 6, 2011) advises that other individuals, such as Task Monitors, can assist COs with contract management functions. The

⁵⁰ FAR Subpart 1.604, *Contracting Officer's Representative (COR)*, states that the COR assists in the technical monitoring or administration of a contract and shall maintain a file for each assigned contract, which must include documentation of COR actions taken in accordance with the delegation of authority. Additionally, FAR Subpart 4.8, *Government Contract Files*, further explains that the contract file should document actions reflecting the basis for and the performance of contract administration responsibilities, and be maintained to ensure effective documentation, ready access to principal users, and conformance with agency regulations for file location and maintenance, among other things.

⁵¹ Specifically, OAOP 1 states that, when changing CORs, the COR being replaced must, among other things, ensure all documentation has been uploaded to eFile. OA's "Instructions for CORs & their Supervisors" guidance further states that when a COR is replaced, the COR contract file must be passed to the new COR.

OMB memorandum indicates that each member of the acquisition workforce plays a critical role to ensure that contractors meet the commitments of their contracts. These individuals are often the first to recognize when a program or contract is under-performing, and are increasingly being asked to manage high-value, complex contracts that involve varying degrees of risk. The OMB memorandum updated the Federal Acquisition Certification for CORs to provide three levels of certification with varying requirements for training, experience, and continuous learning and specifies that Task Monitors should complete training based on their level of experience and the type of contract managed.⁵² We noticed that as of August 13, 2020, not all OIT task leads had received at least a COR Level 1 certification.⁵³

SEC policy does not define the terms “Task Monitor” and “Task Lead.” The OIT task leads are subject matter experts who recommend acceptance or rejection of deliverables, provide verification to the COR for invoice acceptance, reject requests for additional hours, and review and provide recommendations on labor category changes and new hire validation. The task leads’ duties generally appear to meet the OMB language for ensuring proper development of requirements and assisting in contract management. However, the lack of formal rejection or acceptance authority makes it unclear whether the terms in the OMB memorandum explicitly apply.

We encourage OA to verify or establish ISS contract task leads’ training requirements for contractor performance, as task leads are integral to oversight of the contract.

Contract Guidance for Mobile Services

A prior OIG audit identified areas for improvement in the SEC’s mobile device program.⁵⁴ The ISS contractor supports the operations of the agency’s mobile devices. We found some language in the ISS contract discussing the contractor’s roles and responsibilities with respect to mobile device technology, but we could not identify any performance metrics for this area. Although we are not making a formal recommendation, we encourage OA and OIT to ensure that any guidance developed or updated because of the prior OIG audit is disseminated to the ISS contractor, as needed.

⁵² The OMB memorandum states that for the purpose of this guidance, the term “COR” refers not only to positions technically designated as CORs, but also to Contracting Officer’s Technical Representatives, Technical or Task Monitors, and others who ensure proper development of requirements and assist COs in managing contracts.

⁵³ Federal Acquisition Certification for CORs, Level 1, requires 8 hours of training and no experience and is generally appropriate for low-risk contract vehicles, such as supply contracts and orders.

⁵⁴ U.S. Securities and Exchange Commission, Office of Inspector General, *Opportunities Exist to Improve the SEC’s Management of Mobile Devices and Services* (Report No. 562; September 30, 2020).

Appendix I. Scope and Methodology

We conducted this performance audit from February 2020 through February 2021 in accordance with generally accepted 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.

Objectives and Scope

Our overall objective was to assess the SEC's oversight and monitoring of the ISS contractor's performance during OP 1 (August 3, 2018, through December 31, 2019). Specifically, we sought to (1) determine whether the SEC developed and leveraged a QASP, SLAs, contractor performance reports, or other methods to (a) monitor and document SRA's performance, (b) address areas of needed improvement, and (c) drive desired performance outcomes in accordance with the FAR, OMB guidance, and SEC policy; (2) evaluate the contractor's submission of contract deliverables and the SEC's use of those deliverables to assess the contractor's performance; and (3) assess the SEC's monitoring of the contractor's corrective action plans for known performance issues. We performed detailed tests of relevant information from the period of August 3, 2018, through December 31, 2019, and remained abreast of developments in the ISS contract performance monitoring throughout our audit. We also reviewed aspects of the ISS contract and monitoring tools from the time of contract award in January 25, 2016, through OP 1 to ensure our work considered the full state of the contract, including the internal control environment. We performed fieldwork at the SEC's headquarters in Washington, DC.

Methodology

To address our objectives, among other work performed, we interviewed officials from OA and OIT to gain an understanding of the SEC's processes for monitoring and providing oversight of the contractor's performance. In addition, we:

- reviewed applicable federal guidance;
- reviewed SEC policies, procedures, and administrative regulations relevant to contract management and oversight of the ISS contract;
- reviewed the ISS contract, contract modifications, and the deliverables and SLA attachments;
- conducted a walkthrough of ServiceNow to obtain an understanding of this platform, which includes askIT, a portal in support of IT service requests, and the Enterprise Asset Management and Services system, which tracks asset management at the SEC; and
- evaluated compliance with corrective action plans submitted for the missing laptops and software patching incidents.

We selected and tested a non-statistical, judgmental sample⁵⁵ to assess whether the SEC developed and leveraged monitoring tools to oversee the contractor's performance. Specifically, we selected 11 of the 19 subtask areas in the contract as of December 2019,⁵⁶ which included 29 implemented SLAs and 47 deliverables (out of the 63 deliverables) on contract in OP 1. Within the sampled subtask areas, we judgmentally selected and reviewed an initial sample of 6 SLAs (4 critical performance indicators and 2 key performance indicators). We later expanded our review to add another critical performance indicator SLA based on a complaint received regarding Service Desk ticketing practices, as Table 5 shows.

TABLE 5. SLAs Implemented as of OP 1 Selected for Testing⁵⁷

	SLA Name	Type	Subtask Area	Service Level Description
1	Call Abandonment Rate	Critical	1.1 – Service Desk Support	Percentage of calls to ISS Service Desk-managed queues abandoned in 30 seconds or longer.
2	Enterprise Security Compliance – Patch Management	Critical	1.2 – EUC	Successful deployment of patches to targeted active systems within the defined timelines.
3	Incident Resolution – Priority 3	Critical	1.1 – Service Desk Support	Time to resolve priority 3 incidents, which should be within 1 business day.
4	Service Request Response Time – Priority 1	Key	1.1 – Service Desk Support	Time for ISS Service Desk to acknowledge receipt of priority 1 service request tickets not received via phone or resolved on first contact, which should be within 30 minutes.
5	Service Availability – Infrastructure Availability	Critical	2.1 – Network and 2.2– Server and Storage Support	Availability of all infrastructure components and subcomponents based on the response time to resolve service-impacting events. Infrastructure component or subcomponents include all underlying software, hardware, and/or appliances that affect service availability. Service availability for this SLA encompasses server availability for the SEC's network, computing, and storage infrastructure.
6	Inventory Accuracy	Key	4.1 – Asset Management	Inventory accountability to demonstrate asset management practices that meet SEC requirements based on the number of corrections required to Asset Management record transactions.
7	First Contact Resolution ^a	Critical	1.1 – Service Desk Support	Number of incidents received via phone resolved by the ISS Service Desk on first contact.

^a This SLA was added for testing after our initial sample selection.

Source: OIG-generated based on the ISS contract and OIT SLA supporting documents.

⁵⁵ We selected our sample using a risk-based approach that considered expenditures in OP 1 as reported by the COR, number of contracting personnel, and significance of work performed. We perceived higher dollar values, larger numbers of contractor personnel, and areas that OIT identified as being significant to infrastructure support or as having performance issues as higher risk. We also considered areas with a high number of deliverables and SLAs, as well as areas with no deliverables and SLAs, as higher risk. We considered areas focused on overall contract management as medium risk. Finally, we considered areas with no or minimal expenditures and contractor personnel as low risk. We selected for review all subtasks identified as high-risk, one medium risk area, and no low risk areas.

⁵⁶ The 11 subtask areas include: (1) 1.1 Service Desk Support, (2) 1.2 EUC, (3) 2.1 Network, (4) 2.2 Server and Storage Support, (5) 2.3 EOC Support, (6) 2.4 Data Center Operations, (7) 2.6 Audio Video Conferencing Services, (8) 3.1 Enterprise Engineering, (9) 3.4 Electronic Data Warehouse, (10) 4.1 Asset Management, and (11) 4.7 Overarching Process Support. Three of these 11 subtask areas (2.6, 3.1, and 3.4) did not have SLAs or deliverables at the time of our selection; therefore, we verified the task leads' processes and tools, other than deliverables and SLAs, used for contract oversight.

⁵⁷ Our review of the six originally selected SLAs encompassed at least a 3-month review of data in OP 1. For the additional First Contact Resolution SLA, we reviewed 2 months of data for possible duplicates.

As Table 6 shows, we selected 11 of 47 deliverables within the sampled subtask areas and 4 deliverables that were either removed or changed to ad hoc reports before OP 1 for further review. Although these samples were non-statistical and our results cannot be projected to the total population for each test performed, the evidence we gathered helped support our findings, conclusions, and recommendations.

TABLE 6. Deliverables Selected for Testing⁵⁸

Deliverable Selection ^a		
Deliverable Name	Subtask Area	Description
1 Customer Satisfaction Report	1.1 – Service Desk Support	Monthly customer satisfaction report based on the results of customer satisfaction surveys for the previous month. The report will offer an analysis of customer satisfaction surveys detailing trends and providing approaches to resolve negative results.
2 Printer & Copier Report	1.1 – Service Desk Support	Quarterly list of supported printers and copiers to include, but not limited to, IP addresses, make and model, serial number, bar code, location, and queue name. The report will be examined/compared to other inventory records for validation and completeness.
3 Regional Field Office Activities Forecast	1.1 – Service Desk Support (Regional)	Monthly report of which projects and assignments the Regional Field Office Support and Division Office Support members will be assigned to in the near term. The report shall allow the SEC to forecast contractor workload and to prioritize project activities.
4 Patch Management Report	1.2 – EUC	Monthly patch management report to include list and count of affected systems EUC supports, affected Microsoft applications, and affected systems grouped by Microsoft Windows Update as “Important” and “Recommended”.
5 Service Improvement Plan	2.2 – Server and Storage Support	Plan that includes the process, procedure, training, or personnel issues identified during normal and emergency operations.
6 Infrastructure Status Report	2.3 – EOC Support	Report on utilization, capacity, performance, and availability on components monitored by the EOC.
7 Equipment Inventory Report	2.4 – Data Center Operations	Inventory reports of the equipment. The inventory report shall include equipment name, physical location (room number, rack number, site abbreviation, and unit location within a rack), operating British Thermal Unit output, operating amperage draw, operating kilowatt or kilovolt requirement, serial number, and SEC barcode.
8 Validation Report of Inventory Verification	4.1 – Asset Management	Monthly validation reports of the inventory verification. Inventory information should be verified whenever an authorized user requests on-site service.
9 Non-Capital Assets Report	4.1 – Asset Management	Physical audit of all accountable property once a year or as requested by the SEC and should meet the performance standard specified in the Service Level Agreement, and provide survey reports for missing items. The inventory shall be completed and audit reports filed with the SEC within 35 business days after the scheduled audit or the SEC request date.
10 Availability Management Plan	4.7 – Overarching Process Support	Develop, operate, and maintain an availability management process to plan, implement, measure, and manage the availability and reliability of the services to confirm that the levels of availability, as well as reliability, consistently meet SEC business requirements and objectives.
11 Response to Performance Deficiency Reports	4.7 – Overarching Process Support	Respond to government discrepancy reports within 3 business days of receipt, confirming or challenging the discrepancy, state the root cause of the discrepancy, and describe activities to prevent reoccurrence. The CO may provide written communication (Cure Notice) on issues requiring escalation for resolution to ISS contractor’s contracting point of contact. The ISS contractor shall also respond to the Cure Notice with a Corrective Action Plan directed to the CO.

⁵⁸ We selected deliverables with different frequencies, such as weekly, monthly, semi-annually, or annually. Therefore, our review of the 11 selected deliverables included all available plans and reports submitted during OP 1, or over 120 submissions.

Removed and/or Changed Deliverable Selection ^b		
Deliverable Name	Subtask Area	Description
1 Discrepancy Report	1.2-EUC	Provide a weekly discrepancy report to include a list and count of workstations present in Active Directory that are not present in (b) (7)(E)
2 Network Utilization Report	2.1-Network	Provide a monthly Network Utilization Report to include network capacity based on current usage and forecasted demand. Include recommendations to proactively ensure SEC requirements will be met.
3 Capacity/Performance Report	2.2-Server and Storage Support	Provide a monthly Capacity/Performance report to include the measurement and analysis of resource utilization and trends for critical system resources.
4 Validation Report of Reconciliation Results	4.1-Asset Management	Reconcile inventory through random physical inventory verifications and verifications of local inventories. Provide the SEC with (monthly) Validation Reports of the reconciliation results.

^aThis information is based on Attachment 21 -*Deliverables*, dated July 15, 2019, that was included in contract modification P00026, dated August 1, 2019.

^bThese reports, originally listed in the contract's F.2, *Schedule of Deliverables*, were not included in Attachment 21 -*Deliverables*, when it replaced the contract deliverables in modification P0012 dated March 9, 2018. The descriptions are from the SOW section C.5, "Specific Tasks," or an Ad Hoc Report list separate from the contract.

Source: DIG-generated based on the ISS Contract SOW, Attachment 21 -*Deliverables*, and Ad Hoc Report list.

Internal Controls

We identified and assessed internal controls, applicable internal control components, and underlying principles significant to our objectives, as described below.

Control Environment. We assessed the control environment established by OA and OIT by reviewing the organizational structure, assignment of responsibilities, and delegation of duties as they relate to the oversight of the contractor's performance. We interviewed OA and OIT officials from various branches and offices and reviewed the ISS QASP to obtain an understanding of the roles and responsibilities in the oversight of the contractor's performance. Based on the work performed, we found a lack of clarity in the QASP on the roles and responsibilities of OIT task leads, as Finding 1 discusses.

Risk Assessment. We obtained and reviewed OA and OIT fiscal years 2018 and 2019 management self-assessment and risk control matrices to identify risks and controls related to the oversight of ISS contract performance. OIT did not identify internal control deficiencies related to the oversight of the contractor's performance. OA identified some risks applicable to our audit objectives, such as (1) risks of contract documents not maintained in eFile, as this can cause the SEC to have incomplete contract records, and (2) risk of COR not performing their required responsibilities, as this could result in poor or missing deliverables, goods, and/or services.

We interviewed OA officials and the ISS COR to understand their responsibility for uploading contract documents to eFile and the responsibilities of the COR in the oversight of the contractor's performance. Furthermore, we reviewed the ISS QASP to obtain information about COR roles and responsibilities. Although we did not identify internal control deficiencies with the maintenance of contract records in eFile that were significant within the context of our audit scope and objectives, we noticed that deliverables received during the first 2 years of the contract (before about February 2018) were not located in eFile.

Additionally, we noted changes in SEC management (COR, CO, and CS) of the ISS contract. While OA and OIT personnel took steps to strengthen the monitoring of the contractor's performance, we found that additional actions are needed to improve contract performance, as Findings 1 and 2 discuss.

Control Activities. We reviewed applicable federal guidance and SEC policies, procedures, and administrative regulations to identify and test key control activities. Control activities identified and reviewed included the ISS QASP, deliverable trackers, and contract monitoring policies and procedures. We determined that while the June 2018 QASP communicates the SEC's intent to use several oversight methods, it lacks details regarding the role and responsibilities of OIT task leads and their processes for evaluating and documenting contactor performance. Further, we identified discrepancies in the frequencies, descriptions, or submission status in some deliverables submitted in OP 1 between the contract, OIT trackers, and records of deliverables received. Finally, we found that OA's policies and procedures can be enhanced to clarify CPARS due dates requirements and narrative contents expectations.

Information and Communication. We determined that OA communicated policies and procedures related to contract administration to SEC staff through the SEC internal site, COR training, and OIT task leads training; however, internal and external communications can be improved. For example, we found (1) none of the 14 OIT task leads received a copy of the June 2018 QASP before or during OP 1; (2) the QASP does not address the use of PDRs as a way of alerting the contractor of quality discrepancies discovered by surveillance; (3) miscommunications between OA and OIT personnel on the number of missing assets; and (4) clarification of CPARS report due dates and narrative contents is needed to more fully support the contractor's rating.

Monitoring. We reviewed SEC policies, procedures, and administrative regulations, and met with OA and OIT personnel in charge of the oversight of the contractor's performance to obtain an understanding of their monitoring process. We also reviewed key documents such as the ISS contract, modifications, and deliverables and SLA attachments, ISS QASP, and corrective action plans to gain a better understanding of the tools available for monitoring. We determined that, although federal and SEC policy along with the ISS contract emphasize the need for a surveillance plan, the SEC did not effectively implement tools for monitoring the contractor's performance. Specifically, we found the agency did not (1) timely finalize or distribute a comprehensive ISS QASP with key details; (2) establish controls over contractor corrective action plans; (3) timely complete all four ISS contract CPARS evaluations or ensure narratives accurately depicted the contractor's performance; and (4) clearly identify or track deliverables updates throughout the contract's performance.

Based on the work performed, as noted in this report, we identified internal control deficiencies that were significant within the context of our objectives. Our recommendations, if implemented, should correct the weaknesses we identified.

Data Reliability

GAO's *Assessing Data Reliability* (GAO-20-283G, December 2019) states, "reliability of data means that data are applicable for audit purpose and are sufficiently complete and accurate." Data primarily pertains to information that is entered, processed, or maintained in a data system and is generally organized in, or derived from, structured computer files. Furthermore, GAO-20-283G defines "applicability for audit purpose," "completeness," and "accuracy" as follows:

“Applicability for audit purpose” refers to whether the data, as collected, are valid measures of the underlying concepts being addressed in the audit’s research objectives.

“Completeness” refers to the extent to which relevant data records and fields are present and sufficiently populated.

“Accuracy” refers to the extent that recorded data reflect the actual underlying information.

To address our objectives, we relied on computer-processed data. Specifically, we relied on ticketing data generated by ServiceNow for our scope period of August 2018 through December 2019. To assess the reliability of the ticketing data, we interviewed responsible OIT personnel, reviewed relevant system documentation, obtained a walkthrough of the system as it relates to the Service Desk and Asset Management task areas, and performed data validation tests. Based on our assessment, we found the data sufficiently reliable for the purpose of this audit. However, our audit found possible duplicative tickets in ServiceNow. Although not affecting the reliability of the data for our audit objectives, it denotes a need for improvement in the SEC’s data validation process, as Finding 1 discusses.

Prior Coverage

Between 2005 and 2019, the SEC OIG and GAO issued the following reports of particular relevance to this audit.

SEC OIG:

- *Audit of the SEC’s Contracting Officers’ Representative Program* (Report No. 530, September 2015).
- *The SEC Can Better Manage Administrative Aspects of the ISS Contract* (Report No. 554, May 2019).

GAO:

- *CONTRACT MANAGEMENT – Opportunities to Improve Surveillance on Department of Defense Service Contracts* (GAO-05-274, March 2005).
- *NATIONAL FLOOD INSURANCE PROGRAM – Progress Made on Contract Management but Monitoring and Reporting Could Be Improved* (GAO-14-160, January 2014).
- *USDA CONTRACTING – Further Actions Needed to Strengthen Oversight of Contracts for Professional Services* (GAO-14-819, September 2014).

These reports can be accessed at <https://www.sec.gov/oig> (SEC OIG) and <https://www.gao.gov> (GAO).

Appendix II. Observations of ISS Contract Deliverables

Table 7 summarizes our observations of the 11 judgmentally selected deliverables we reviewed, which were required during the ISS contract's OP 1 (that is, between August 3, 2018, and December 31, 2019), as Finding 2 discusses.

TABLE 7. Selected ISS Contract Deliverables Submission Status in OP 1

ISS Contract Requirement				Deliverables Submission Status			Comments
Task Area	Deliverable	Frequency	Late or Not Received	Unused	Frequent Automatic Acceptance		
1	1.1 - Service Desk Support	Customer Satisfaction Report	Monthly				Generally all received timely, reviewed, and accepted by task lead.
2	1.1 - Service Desk Support	Printer and Copier Report ^a	Quarterly	X			Two late reports could not be reproduced and were not delivered as intended.
3	1.1 - Service Desk Support	Regional Field Office Activities Forecast	Monthly	X		X	Two reports not received; at least two reports late; generally automatically accepted.
4	1.2 - EUC	Patch Management Report	Monthly	X		X	About 88 percent automatically accepted; one late report, and contractor sent wrong report in 2 months.
5	2.2 - Server and Storage Support	Service Improvement Plan	As requested by the SEC				Unclear whether requested (see Table 8, for further details).
6	2.3 - EOC Support	Infrastructure Status Report	Weekly	X	X	X	Weekly reports late 75 percent of the time ^b ; task leads no longer used in late 2019 and requested removal; automatic acceptance 70 percent of the time.
7	2.4 - Data Center Operations	Equipment Inventory Report ^a	Semi-Annual	X		X	All received but one late; two of the three reports were automatically accepted.
8	4.1 - Asset Management	Non-Capital Asset Report	At least once annually				Task lead received on time, but COR did not receive until almost a year later; further discussed in Table 8.
9	4.1 - Asset Management	Validation Report of Inventory Verification ^a	Monthly	X			All received but one received late; further discussed in Table 8.
10	4.7 - Overarching Process Support	Availability Management Plan	Bi-annually update; Annual refresh	X			No record of receipt in OP 1; tracking error in 2018 had captured this report as erroneously received; received in December 2020.
11	4.7 - Overarching Process Support	Responses to PDRs	Within 3 business days of receipt		X		OIT generally unaware of or unclear regarding use of this deliverable and its intent; not requested in OP 1.
TOTAL				7	2	4	

^a These deliverables were removed from the ISS contract's deliverables attachment in an October 2020 modification.

^b We considered the report late if not received by Friday the following week based on discussion with task leads, as the contract did not specify due dates. Of the 37 weekly reports available for review beginning in April 2019 during OP 1, 28 reports were late. Reports before April 2019 were erroneously submitted monthly, as Table 8 discusses.

Source: OIG-generated based on the ISS contract, Attachment 21 - Deliverables (July 2019, October 2020, and November 2020), interviews and documents from OIT personnel, and review of the ISS contract eFile and OIT's ISS deliverables shared folder.

Furthermore, Table 8 provides some examples of discrepancies we identified when reviewing deliverables submitted during OP 1. These discrepancies relate to differences in what the contract required versus what was received, issues in tracking, or uncertainty with the contract requirements.⁵⁹

TABLE 8. Examples of ISS Contract Deliverables Discrepancies

Task Area	Deliverable	Frequency	Comments on Discrepancies Identified
1.1 - Service Desk Support	Printer and Copier Report	Quarterly	In March 2018, the frequency of this deliverable changed from monthly to quarterly. The contractor continued to erroneously submit—and the task lead reviewed—this deliverable monthly until the COR clarified the next report (covering April through June 2019) was due in July 2019. However, the deliverable was not submitted for two consecutive quarters. The COR notified the contractor of the delays in October 2019, yet the reports represent a snapshot in time and were unable to be reproduced. The reports were recorded as “not delivered,” and we did not locate any PDRs in these instances. Furthermore, as a new contract exists for printer services, part of this requirement was removed from the ISS contract.
1.1 - Service Desk Support	Service Desk Inventory Audit	Monthly	The Deskside Support Inventory Management Standard Operating Procedure, section 4.6, states that inventory audit deliverable includes reports (initial scan and reconciliation data) due on the 5 th and 20 th business day of each month, respectively. Although these inventory audit reports are listed as deliverables in the procedure, they are not included in the ISS contract’s SOW nor Attachment 21 – <i>Deliverables</i> , which OA and OIT consider the all-inclusive list of deliverables. Therefore, while the task lead indicated that he is receiving this deliverable, it is not tracked by the ISS program management office.
2.2 - Server and Storage Support	Service Improvement Plan	As requested by the SEC	This deliverable is required as requested by SEC when the contractor is experiencing process, procedure, training, or personnel issues in the subtask area. Although the COR has no record of submission through the formal deliverables process, the task leads explained a Service Improvement Plan was requested for the VMWare area, and we noted a plan was received in August 2019. Discrepancies exist between the COR and task leads as to whether this plan was formally requested as a deliverable.
2.3 – EOC Support	Infrastructure Status Report	Weekly	The ISS program management office’s deliverables tracker in 2018 listed an incorrect frequency for this deliverable of every 6 weeks. This report was submitted monthly until it was corrected to weekly in April 2019, after the COR pointed out the error. The task leads explained this report was no longer useful to them and they requested removal from the contract in late 2019. Although the deliverable was approved for removal through the ISS governance board in July 2020, it remained as a deliverable until it was removed in November 2020.
4.1 - Asset Management	Non-Capital Asset Report	At least once annually	The frequency of this deliverable was not revised to align with updates in SECR 9-2, ⁶⁰ which requires a wall-to-wall accountable property (non-capital asset) inventory every 2 years. According to the COR, the SEC overlooked making the change to the new bi-annual frequency and the contract should be updated. However, the deliverable was not updated as of November 2020. Furthermore, the task lead was aware of the timely submission of this deliverable for fiscal year 2019 to the SEC Property Accountable Officer, yet it was not submitted to the COR through the official ISS deliverables process until almost a year later.
4.1 - Asset Management	Validation Report of Inventory Verification	Monthly	The description in the contract and Attachment 21 - <i>Deliverables</i> , does not match the work portrayed in the actual report. Specifically, Attachment 21 states, “Verify inventory information whenever an authorized user requests on-site service. Provide the SEC with (monthly) Validation Reports of the inventory verification.” The task lead explained this report includes a monthly spot check of the warehouse inventory and is used to support the subtask area’s SLA calculations. Despite its use, this deliverable was removed in the contract’s October 2020 modification without further clarification.

Source: OIG-generated based on the ISS contract SOW, Attachment 21 - *Deliverables* (July 2019, October 2020, and November 2020), interviews and documents from OIT personnel, and review of the ISS contract eFile and OIT’s ISS deliverables shared folder.

⁵⁹ This table includes some examples of discrepancies identified but is not all-inclusive.

⁶⁰ SECR 9-2, *Property Management Program* (October 22, 2018) Section H, *OIT Inventory Procedures*, states that “wall-to-wall physical inventory counts of accountable property shall be performed every two years with certification by the applicable Property Accountable Officer.” The task lead confirmed that the non-capital asset report is the same as the wall-to-wall inventory.

Appendix III. Management Comments

MEMORANDUM

To: Rebecca Sharek, Deputy Inspector General for Audits, Evaluations, and Special Projects, Office of Inspector General

From: Kenneth A. Johnson, Chief Operating Officer **KENNETH JOHNSON** Digitally signed by KENNETH JOHNSON Date: 2021.02.23 16:19:42 -05'00'

Date: February 23, 2021

Subject: Management Response to Draft OIG Report, *The SEC Has Taken Steps to Strengthen Its Monitoring of ISS Contractor's Performance, But Additional Actions Are Needed*

Thank you for the opportunity to review and comment on the Office of Inspector General (OIG) report related to its evaluation of the Securities and Exchange Commission's (SEC) oversight and monitoring of its infrastructure support services (ISS) contractor's performance, which supports the SEC's information technology (IT) program. The report evaluates the extent to which SEC developed and leveraged a quality assurance surveillance plan (QASP), service level agreements (SLAs), contractor performance reports, or other methods to (a) monitor and document the contractor's performance; (b) address areas of needed improvement, and (c) drive desired performance outcomes in accordance with the Federal Acquisition Regulation (FAR), Office of Management and Budget (OMB) guidance, and SEC policy.

I am pleased your report found the SEC's oversight over the ISS contract improved throughout the period of performance of the contract. Notable oversight improvements include: (1) the establishment of the ISS Contract Governance Board, which helps to ensure effective oversight of the ISS program and contract; (2) enhanced tracking of deliverables submissions; (3) streamlined deliverables requirements; (4) significant reduction of the contractor evaluations backlog; and (5) changes in ISS work processes to prevent further mistakes similar to the computer inoperability event. However, there remain opportunities for continued improvement. Your report contains seven recommendations, with which we concur. More details on management's responses to these recommendations, as well as the Other Matters of Interest cited in your report, are found in Appendix 1.

We appreciate the professionalism and courtesies provided by the OIG during this audit, and we look forward to working with your office to address the areas noted in your report.

Attachments: Appendix 1: Management Responses to Recommendations and Other Matters of Interest

cc: Dave Bottom, Chief Information Officer, Office of Information Technology
Vance Cathell, Director, Office of Acquisitions
Jamey McNamara, Chief Human Capital Officer, Office of Human Resources
Olivier Girod, Acting Director, Office of Support Operations

Appendix 1: Management Responses to Recommendations and Other Matters of Interest

Below, we have outlined the steps we have already taken or intend to take to mature our program in each area.

Recommendation 1: Evaluate quality assurance surveillance guidance available in the Office of Acquisition's (OA) Contract Administration Guide and incorporate applicable guidance and examples into the agency-wide contract administration policies to ensure oversight personnel understand its applicability and develop timely contract quality assurance surveillance plans.

Response: We concur. OA will evaluate the existing quality assurance surveillance guidance in OA's Contract Administration Guide for oversight personnel, and will update and communicate the revised guidance, including emphasizing the importance of timeliness.

Recommendation 2: Update the agency's policies and procedures to enhance the timely and quality reporting of past performance information by clarifying Contractor Performance Assessment Reporting System (CPARS) report (1) due dates, and (2) narrative contents to more fully support contractor ratings, in accordance with Federal Acquisition Regulation requirements and government-wide guidance.

Response: We concur. OA will review and update SEC policies and procedures for CPARS due dates and support narrative and communicate those updates to the Contracting Officers and Contracting Officer Representatives responsible for CPARS reporting.

Recommendation 3: The Office of Acquisitions, in coordination with the Office of Information Technology (OIT), enhance the contract quality assurance surveillance plan to incorporate:

- a. OIT task lead roles and responsibilities;
- b. the frequency, method, and level of detail required for SEC oversight personnel to adequately assess and document their review of contract service level agreements, deliverables, and determination of acceptability;
- c. requirements for the use of Performance Discrepancy Reports, or other similar reports, to alert the contractor in writing of any quality discrepancies discovered during quality assurance surveillance; and
- d. a process for formalizing corrective action plans, monitoring the implementation and execution of the plans, and elevating to OIT program management officials and the Contracting Officer outstanding performance issues.

Response: We concur. OA and OIT will revise and enhance the ISS contract quality assurance surveillance plan to incorporate appropriate updates, including the content listed in items a-d above.

Recommendation 4: The Office of Acquisitions ensure the ISS contract quality assurance surveillance plan and any updates are distributed to the appropriate SEC oversight personnel.

Response: We concur. Upon completion of QASP plan updates in Recommendation 3, OA will ensure that the document is distributed to the appropriate SEC oversight personnel.

Recommendation 5: The Office of Acquisitions, in coordination with the Office of Information Technology, establish a process of when and how to communicate to the ISS Contracting Officer when assets under the contractor's control go missing.

Response: We concur. OA and OIT will establish a process for communicating to the ISS Contracting Officer when assets under the contractor's control are unaccounted for.

Recommendation 6: The Office of Information Technology ensure an SEC End User Technology employee reviews and validates the checklists prepared by the contractor to confirm they are adequately completed and meet the requirement of the corrective action plan for the (b) (7)(E) software patching incident.

Response: We concur. OIT has begun a review of the process for maintaining the checklists the SEC instituted for change management activities related to: (1) (b) (7)(E) patch upgrades, and (2) (b) (7)(E) policy changes. These checklists identify the implementer and lead validator for each type of change. OIT plans to create an operating procedure that defines documentation requirements, checklist activities, and onboarding training. If necessary, the corrective action plan from the previous incident will be updated to reflect this new procedure.

Recommendation 7: The Office of Acquisitions, in coordination with the Office of Information Technology:

- a. establish definitions of deliverables, ad hoc reports, and work products, and clarify requirements for tracking these items in the ISS contract or procedure documents; and
- b. formalize a process to periodically assess ISS contract deliverables, ad hoc reports, and work products to ensure (1) they meet the needs of SEC contract oversight personnel, (2) they conform to the established definitions, and (3) any resulting updates are accurately reflected in the contract and contract attachments.

Response: We concur. OA, in coordination with OIT, will clarify definitions for deliverables, ad hoc reports, and work products, and the tracking of these items. OA and OIT will also formalize a process for periodically ensuring that ISS contractor deliverables, ad hoc reports, and work products continue to meet SEC needs and conform to contract requirements.

Other Matters of Interest

With regards to the Other Matters of Interest identified in the OIG report, the SEC appreciates the information and input provided by the auditor in this section. We are committed to working towards improvement in these areas, and believe that the efforts underway and soon to be completed will achieve greater efficiencies in surveillance methods and effectiveness of cost controls for the remaining life of the contract.

Maintenance of Complete ISS Contract File: According to applicable sections of the FAR and SECOP 10-15, Contracting Officer's Representative, the Contracting Officer's Representative (COR) must ensure that all required items, work products, documentation, data, and reports are submitted as required by the contract and perform final inspection and acceptance of all deliverables. Furthermore, SECOP 10-15 and Office of Acquisitions Operating Procedure 1, Acquisition, state the COR must ensure all documents, including those related to inspection and acceptance of deliverables, are maintained in eFile. We [OIG] encourage the COR, in coordination with the Contracting Officer, to ensure all applicable deliverables are recorded in eFile.

Response: The SEC continues to ensure that all necessary documents related to the ISS Contract continue to be maintained in eFile. The COR has already initiated improvements to capturing and organizing deliverables documentation, to facilitate storage in the system.

Task Lead Training Requirements for Contract Performance: In addition to those formally designated as CORs, OMB Memorandum, Revisions to Federal Acquisition Certification for Contracting Officer's Representatives (FAC-COR), (dated September 6, 2011) advises that other individuals, such as Task Monitors, can assist COs with contract management functions. We [OIG] encourage OA to verify or establish ISS contract task leads' training requirements for contractor performance, as task leads are integral to oversight of the contract.

Response: OA plans to review ISS contract task lead training requirements, in support of appropriate ISS contract oversight.

Contract Guidance for Mobile Services: The ISS contractor supports the operations of the agency's mobile devices. We found some language in the ISS contract discussing the

contractor's roles and responsibilities with respect to mobile device technology, but we could not identify any performance metrics for this area. Although we are not making a formal recommendation, we encourage OA and OIT to ensure that any guidance developed or updated because of the prior OIG audit is disseminated to the ISS contractor, as needed.

Response: The SEC is making progress in addressing the OIG's recommendations in Report 562 related to mobile device management. OIT is identifying tasks to be provided by ISS contractor support staff as part of these remediation efforts. OIT will ensure that tasking expectations are documented and communicated and determine what performance metrics are necessary for this area of ISS contractor support.

Major Contributors to the Report

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Comments and Suggestions

If you wish to comment on the quality or usefulness of this report or suggest ideas for future audits, evaluations, or reviews, please send an e-mail to OIG Audit Planning at AUDplanning@sec.gov.

Comments and requests can also be mailed to the attention of the Deputy Inspector General for Audits, Evaluations, and Special Projects at the address listed below.

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