



**Office of Inspector General
Committee for Purchase from People
Who Are Blind or Severely Disabled
(U.S. AbilityOne Commission OIG)**

355 E Street SW (OIG Suite 335)
Washington, DC 20024-3243

June 27, 2024

MEMORANDUM

TO: Jeffrey A. Koses
Chairperson
U.S. AbilityOne Commission

Kimberly M. Zeich
Executive Director
U.S. AbilityOne Commission

FROM: Stefania Pozzi Porter *Stefania Pozzi Porter*
Inspector General
U.S. AbilityOne Commission OIG

SUBJECT: Audit of the Contract Administration Process

We are pleased to provide the performance audit report on the U.S. AbilityOne Commission's Contract Administration Process conducted by Sikich LLP, an independent public accounting firm. The U.S. AbilityOne Commission Office of Inspector General (OIG) engaged Sikich to conduct the performance audit, an independent public accounting firm, and provide a report. The objective of the audit was to determine whether and to what extent the staffing shortfalls in the Office of Contracting Policy impacted the ability to manage and administer the contract administration process.

To address the audit objective, Sikich interviewed key officials from the Commission. Sikich collected and reviewed key documents containing suitable criteria and analyzed data relevant to the audit objective. Sikich also performed the following procedures: 1) reviewed laws, regulations, policies, and procedures applicable to the Commission's contract administration activities; 2) obtained and examined the interagency agreements (IIAs), service level agreements (SLAs), and contract documents to evaluate the contract terms and agreement requirements and performance targets, expectations, and milestones; 3) reviewed the internal controls the Commission has in place for managing and monitoring its contract administration activities; and 4) obtained policies, procedures, and other guidance relevant to the Commission's contract administration activities and conducted reviews to gain an understanding of the business processes and key controls as they related to the audit objective.

Overall, the report found the Commission's internal controls over contract administration were effective. However, the Commission must improve its controls to address the staffing shortfalls in the Office of Contracting and Policy (OCP) and bolster its oversight and monitoring controls: 1) enhancing its procedures to enable staff to properly track and report small business contract awards in compliance with the Small Business Act and Federal Acquisition Regulation (FAR) requirements; 2) establishing contract management technology system covering the entire contract management lifecycle to streamline its operations and maximize efficiency; and 3) developing better oversight of the contracting officer's award activities and additional levels of review at the different contracting activities. The report yielded six recommendations to improve management of internal controls over contract administration processes.

We appreciate the Commission's assistance during the course of the audit. If you have any questions, please contact me or Laretta A. L. Joseph, Assistant IG for Evaluation and acting Assistant IG for Audit at 571-329-3419 or at ljoseph@oig.abilityone.gov.

cc: Chai Feldblum
Vice Chairperson
U.S. AbilityOne Commission

Kelvin Wood
Chief of Staff
U.S. AbilityOne Commission



Results in Brief

Audit Report of the Contract Administration Process

Office of Inspector General Report No. 2022-05. Report Date: May 30, 2024

Why We Performed This Audit

The Office of Inspector General (OIG) engaged Sikich LLC (Sikich) to conduct a performance audit of the U.S. AbilityOne Commission's (Commission) Contract Administration. The audit objectives were to assess the effectiveness of the internal controls over Commission Contract Administration activities and to determine whether and to what extent the staffing shortfalls in the Office Contracting Policy (OCP) impacted the ability to manage and administer the contract administration process.

What We Audited

The audit scope included assessing the risk and overall effectiveness of the Commission's Contract Administration processes, including its key internal and determine whether and to what extent staffing shortfalls have prevented OCP from meeting its compliance and reporting objectives. Sikich reviewed laws, regulations, policies, and procedures applicable to the Commission's Contract Administration, conducted interviews with key personnel, and analyzed data, reports, and other supporting documentation.

What We Recommend

The report yielded six recommendations to enhance the staffing shortfall in the OCP, improve oversight and monitor its contract activities. The Commission concurs with these recommendations and is in the process of implementing corrective actions.

What We Found

Overall, the report concluded that the Commission's internal control over the Contract Administration was effective.

However, the report identified areas needed to enhance the staffing shortfall in the OCP, improve oversight and monitor controls that include: 1) implementing a proper contracting tracking system that allows for the effective monitoring performance of the Commission's award activities relative to the small business procurement goals; 2) implementing a contact writing system that industry standard provision and clause database that is pertinent to acquisition regulations and statutory requirements; 3) updating the contract office warrant program policy; 4) appointing at least one other warranted officer; 5) implementing more robust contracts tracking system to incorporate data validation procedures against source documents; and 6) ensuring the contracting activity report (CAR) is completed properly and submitted within required timeline.

The contracting officer maintained an activity log of contract awards; however, no metrics or measurements were maintained to track or gauge compliance with the Small Business Act and Federal Acquisition Regulations requirements.

The Commission has a manual process for extracting and replicating provisions and clauses in contract. The risk of errors in the contracting administration process will be minimized with an automated acquisition management system that addresses the full acquisition lifecycle.

The Commission's contracting officer has an unlimited signing warrant threshold. Due to staffing constraints, there is inadequate oversight of the contracting officer's activities. A more robust oversight procedures would help alleviate errors and reduce the risk related to the lack of segregation of duties in the contract administration process.

Also, the contracting activity reports (CARs) are being prepared; however, they are not being updated to the Federal Procurement Data System (FPDS) within the required timeline.

View the full report. For more information, visit us at <https://abilityone.oversight.gov>



**PERFORMANCE AUDIT OF THE
CONTRACT ADMINISTRATION PROCESS**

**SUBMITTED TO THE
U.S. ABILITYONE COMMISSION-OIG**

PERFORMANCE AUDIT REPORT

MAY 30, 2024

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May 30, 2024

Stefania Pozzi Porter, Inspector General
Office of Inspector General (OIG)
U.S. AbilityOne Commission
355 E. Street, SW
Washington, DC 20024

Subject: Audit of the Contract Administration Process

Dear Inspector General Porter,

Sikich CPA LLC (Sikich)¹ is pleased to submit the attached report detailing the results of the performance audit of the U.S. AbilityOne Commission's (Commission's) contract administration process. The Commission's Office of Inspector General (OIG) engaged Sikich to conduct this performance audit. The purpose of the performance audit was to assess the effectiveness of the Commission's internal controls over its contract administration activities and to determine whether and to what extent the staffing shortfalls in the Office of Contracting Policy have impacted the Commission's ability to manage and conduct its contract administration process.

The draft of this report was provided to the Commission on February 20, 2024. We obtained Commission management's comments on the draft report and have included their comments in Appendix II to this report. We considered management's comments in finalizing the audit report and evaluated their response, as documented in Appendix III, *Evaluation of Management Comments*. We did not audit the Commission's comments and therefore do not provide any conclusions on their comments. The report considered internal controls that were significant and relevant to the audit objective and therefore may not have identified all of the Commission's internal control deficiencies with respect to the contract administration process.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides a reasonable basis for the findings and conclusions based on the audit objective. We believe that the evidence we obtained provides a reasonable basis for the findings and conclusions based on the audit objective. The report describes the objectives, scope, and methodology in Appendix I.

We thank the OIG and the Commission for the cooperation and assistance provided to us.

Sikich CPA LLC
Alexandria, VA

¹ Effective December 14, 2023, we amended our legal name from "Cotton & Company Assurance and Advisory, LLC" to "Sikich CPA LLC" (herein referred to as "Sikich"). Effective January 1, 2024, we acquired CLA's federal practice, including its work for the U.S. AbilityOne Commission.

I. INTRODUCTION

In 1938, the Wagner-O'Day Act established the Committee on Purchases of Blind-Made Products to provide employment opportunities for the blind. In 1971, Congress amended and expanded the Wagner-O'Day Act with the Javits-Wagner-O'Day (JWOD) Act to include persons with significant disabilities. The 1971 amendments also changed the name of the committee to the Committee for Purchase from People Who Are Blind or Severely Disabled to reflect the expanded capabilities of the JWOD Program. The program is currently a source of employment for approximately 40,000 people who are blind or have significant disabilities. These individuals are employed by approximately 450 nonprofit agencies across all 50 states and the U.S. territories.

In 2006, the JWOD Program was renamed the AbilityOne Program, and in 2011, the Committee took on the branded name of the U.S. AbilityOne Commission (Commission). The Commission is composed of 15 presidential appointees, including 11 members representing federal agencies and 4 members serving as private citizens from the blind and disabled community, bringing their expertise in the field of employment of people who are blind or have significant disabilities. In 2022, the Commission had approximately 30 full-time employees who administered and oversaw the AbilityOne Program (Program), which provides nearly \$4 billion in products and services to the federal government annually.

The Commission uses contract services to support its core business areas and cross-cutting functions to effectively execute its responsibilities and sustain its mission. The Office of Contracting and Policy (OCP) is the business unit responsible for overseeing and executing all of the Commission's contract actions. The Director of the OCP supports the Commission as a subject matter expert in the area of contracting and oversees the operation of the office's portfolio of programs, including areas such as Government Purchase Cards (GPC/GTC), Small Business Act compliance, contracting support for the Commission (i.e., contract execution and administration), and contracting support for the Program itself (e.g., source selection, program sustainment, and program growth).

Sufficient staffing capacity is important to the OCP's capacity for properly overseeing and executing contract actions and for managing the portfolio of procurement programs. Further, staffing gaps coupled with inadequate succession planning can lead to the loss of valuable institutional knowledge and operational continuity and can prevent the OCP from meeting its compliance and reporting objectives.

II. AUDIT OBJECTIVE

The audit objective was to assess the risks and overall effectiveness of the Commission's contract administration processes, including its key internal controls, and determine whether—and if so, to what extent—staffing shortfalls have prevented the OCP from meeting its compliance and reporting objectives. Appendix I contains more information regarding the scope and methodology for achieving this objective.

III. SUMMARY OF RESULTS

Based on the results of the audit work, the report found that overall, the Commission's internal controls over contract administration were effective. However, the report noted areas in which the Commission must improve its controls to address the staffing shortfalls in the OCP and bolster its oversight and monitoring controls.

The report noted that the Commission must also enhance its procedures to enable it to properly track and report small business contract awards in compliance with the Small Business Act and Federal Acquisition Regulation (FAR) requirements. In addition, the Commission relies on a highly manual contract-writing process, which renders it susceptible to transcription mistakes and increases the risk that personnel will erroneously include flawed terms and provisions in contract documents.

The report also noted that the contracting officer is the Commission's only warranted officer with unlimited warrant authority. Because there are no other personnel with comparable authority to perform reviews, this restricts the Commission's oversight of the contracting officer's award activities. Furthermore, the report noted the contract log required the Commission to perform consistent reviews to detect and correct intermittent errors. Finally, the report found that the contracting officer did not prepare the Contract Activity Reports (CARs) and upload them into the Federal Procurement Data System (FPDS) on a timely basis.

IV. AUDIT RESULTS

The following section of the report describes the audit findings in detail and outlines the accompanying recommendations for action by Commission management.

Finding 1: The Commission is not properly tracking small business awards to ensure compliance with the Small Business Act and with FAR requirements.

When the Commission procures goods or services, the contracting officer is responsible for determining which contract vehicles to use, providing advice on the acquisition, assessing the technical specifications and the requirements document (e.g., the performance work statement for each proposed acquisition), and obtaining the approvals needed based on the dollar level and type of acquisition. The contracting officer also conducts market research for all acquisitions to determine the capabilities available in the commercial marketplace, to obtain industry information regarding whether any small businesses are capable of fulfilling the requirement, and to assess the potential contract vehicles available to fill the requirement.

Our examination of the Commission's contract activity revealed that the Commission did not adequately monitor its compliance with the Small Business Act and FAR requirements pertaining to the value of small business awards as a percentage of the total value of all awards for the fiscal year (FY). Although the contracting officer did maintain an activity log showing the contract awards and their small business status, the contracting officer did not use any metric or measurement to adequately track or gauge compliance with the Small Business Act and FAR requirements. In particular, the activity log did not track the total volume of activities or the accumulated contract value.

The activity log did indicate whether awardees were categorized as a small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small, disadvantaged business, or women-owned small business. However, the

activity log did not tally the totals for these categories or assess the total value of awards for each category and compare it against the total value of all the contract awards for that FY. Further, we noted that the contracting officer is the only individual who reviews the Commission's compliance requirements for small business contract awards and the extent to which the Commission is meeting its mandated targets.

According to 15 U.S. Code (U.S.C.) §644, *Awards or contracts, (g) Goals for participation of small business concerns in procurement contracts*:

The Government-wide goal for participation by small business concerns shall be established at not less than 23 percent of the total value of all prime contract awards for each fiscal year. In meeting this goal, the Government shall ensure the participation of small business concerns from a wide variety of industries and from a broad spectrum of small business concerns within each industry.

FAR 19.201, *General policy*, states:

It is the policy of the Government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small, disadvantaged business, and women-owned small business concerns. Such concerns must also have the maximum practicable opportunity to participate as subcontractors in the contracts awarded by any executive agency, consistent with efficient contract performance. The Small Business Administration (SBA) counsels and assists small business concerns and assists contracting personnel to ensure that a fair proportion of contracts for supplies and services is placed with small business.

FAR 19.202-5, *Data collection and reporting requirements*, states:

Agencies shall measure the extent of small business participation in their acquisition programs by taking the following actions:

(a) Require each prospective contractor to represent whether it is a small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small, disadvantaged business, women-owned small business, EDWOSB concern, or WOSB concern eligible under the WOSB Program.

...

(b) Accurately measure the extent of participation by small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns in Government acquisitions in terms of the total value of contracts placed during each fiscal year, and report data to the SBA at the end of each fiscal year. ...

(c) When the contract includes the clause at 52.219-28, Post Award Small Business Program Representation, and the conditions in the clause for representing are met—

(2) Require a contractor that represented itself as any of the small business concerns identified in 19.000(a)(3) prior to award of the contract to represent its size and socioeconomic status (i.e., 8(a), small, disadvantaged business,

HUBZone small business, service-disabled veteran-owned small business, EDWOSB, or WOSB status); and

(2) Permit a contractor that represented itself as other than a small business concern prior to award to represent its size status.

We noted that the Commission does not review any of the contracting officer's updates to the tracking system used to capture and report on both small business procurement activities and the Commission's compliance with the federally mandated procurement goals for each small business category. Without an adequate system in place to properly monitor compliance with Small Business Act requirements covering awards made to veteran-owned small businesses, service-disabled veteran-owned small businesses, HUBZone small businesses, small disadvantaged businesses, women-owned small businesses, and 8(a) small businesses, the Commission is at higher risk of failing to meet its statutory procurement goals, which could result in SBA sanctions and the Commission losing its ability to make awards to 8(a) firms in the future.

Recommendations

We recommend that the Commission:

1. Implement a contract tracking system that will enable the contract administration team to perform a detailed analysis of small business awards in each of the small business categories and compare the award value for each category against the total value for all awards to ensure that the Commission can effectively monitor its award activities with regard to its small business procurement goals.

Finding 2: The Commission's contract-writing process relies heavily on manual activities, including the transcription and replication of key provisions and clauses to solicitations and contract documents.

The contracting officer is responsible for ensuring that each solicitation, contract, and modification document contains pertinent and appropriate terms and that the standard clauses and provisions used are up to date and appropriate to apply. However, in drafting the solicitation and contract documents, the contracting officer uses a heavily manual process that involves cutting and pasting contract clauses, terms, and citations into the draft contract from a manually maintained provision and clause repository.

FAR 52.102, *Incorporating provisions and clauses*, states:

(b) Except for provisions and clauses prescribed in 52.107, any provision or clause that can be accessed electronically by the offeror or prospective contractor may be incorporated by reference in solicitations and/or contracts. However, the contracting officer, upon request, shall provide the full text of any provision or clause incorporated by reference.

...

(d) An agency may develop a group listing of provisions and clauses that apply to a specific category of contracts. An agency group listing may be incorporated by reference in solicitations and/or contracts in lieu of citing the provisions and clauses individually, provided the group listing is made available electronically to offerors and prospective contractors.

The Commission does not have an automated acquisition management system in place. An automated system would provide an opportunity to address the full acquisition life cycle, including planning, requisition creation, solicitation, publishing, award, and closeout. The Commission could also integrate an automated system with the current financial system applications and processes to create efficiencies by eliminating manual exercises at the transaction-processing level. The Commission is in the process of acquiring and deploying an automated system; however, the contracting officer is still working with the system vendor to define the Commission's needs parameters and requirements.

Manually extracting and replicating provisions and clauses in solicitations and contract documents increases the risk of transcription errors, omission of key provisions, and inclusion of incorrect provisions, clauses, and terms, which may put the Commission in fiscal and legal jeopardy.

Recommendations

We recommend that the Commission:

1. Implement a contract-writing system that integrates an industry-standard, automatically updated provision and clause database. The Commission should also have associated controls in place to ensure that the database is up to date and meets the pertinent acquisition regulations and statutory requirements.

Finding 3: The Commission does not have adequate oversight of the contracting officer's activities.

The Commission's Contracting Officer Warrant Program (COWP) policy establishes criteria for the selection, appointment, and appointment termination of contracting officers and helps ensure that the Commission appoints qualified individuals who meet the Commission's needs for contracting authority. Factors considered in determining the number of contracting officers to appoint include the volume of contract actions, the complexity of the work, and organizational structure. The COWP policy also provides direction for selecting candidates and for the Commission's warrant authority. Only those federal employees with specific contracting officer authority may execute contracts and related agreements consistent with their level of authority on behalf of the Commission. Individuals selected for contracting officer warrants must be certified at an appropriate level to support their warrant authorities and obligations.

We noted that the Commission's contracting officer has an unlimited signing warrant threshold and is the only individual at the Commission with contract warrant authority. Because there are no other personnel with comparable authority to perform reviews, the scope and effectiveness of the Commission's oversight of the contracting officer is limited. The unlimited warrant, while not unusual, is inconsistent with the size of the Commission and the dollar value of its average contract awards.

Based on our testing procedures over contract award activity, which included examination of the GSA-49, *Requisition/Procurement Request for Equipment Supplies or Services*, we determined that the Commission performs other reviews of its contract award activity, such as reviews of funds availability and legal sufficiency. For the sample items tested, we observed that, once the contracting officer has drafted the contract, they send the award documents to the Department of General Counsel (GC) for review. Once the GC has made any changes or updates

necessary, it routes the contract documents, along with the GSA-49, to the Chief Financial Officer (CFO) for approval and funding.

Staffing constraints in the contract administration department pose challenges regarding the effective oversight of contract administration processes. We noted that the Commission had taken steps to alleviate gaps in staffing; specifically, the Commission added a new position to the contract administration team—a procurement analyst/customer service liaison—to facilitate more streamlined reviews and achieve stronger segregation of duties. However, these measures were not sufficient to address the lack of oversight of the contracting officer's activities.

In addition to these review processes, the contracting officer holds weekly meetings with the contracting officer's representative (COR) to discuss activities that occurred on the contract to ensure that the parties meet the contract's terms, conditions, and performance requirements. The contracting officer also meets with their supervisor, the CFO, on a bi-weekly basis to discuss contract operations. However, despite the review mechanisms in place, the Commission's oversight of its contract administration processes is restricted, given that the contracting officer is the only warranted officer at the Commission and their warrant is unlimited.

FAR 1.603-1, *General*, states:

41 U.S.C. 1702(b)(3)(G) requires agency heads to establish and maintain a procurement career management program and a system for the selection, appointment, and termination of appointment of contracting officers. Agency heads or their designees may select and appoint contracting officers and terminate their appointments. These selections and appointments shall be consistent with Office of Federal Procurement Policy's (OFPP) standards for skill-based training in performing contracting and purchasing duties as published in OFPP Policy Letter No. 05-01, Developing and Managing the Acquisition Workforce, April 15, 2005.

FAR 1.603-2, *Selection*, states:

In selecting contracting officers, the appointing official shall consider the complexity and dollar value of the acquisitions to be assigned and the candidate's experience, training, education, business acumen, judgment, character, and reputation.

General Services Acquisition Manual (GSAM), Subpart 501.601 (b)(2)(iv), states that the Head of the Contracting Activity (HCA) is responsible for:

- (A) Implementing a Contracting Officer Warrant Program in accordance with subpart 501.6, including establishing additional limits on contracting officer warrant authorities as needed;*
- (B) Ensuring the acquisition workforce obtains and maintains applicable certifications and/or specialized credentials to perform the work of their position, including timely completion of continuous learning and mandatory training requirements;*
- (C) Ensuring adequate organizational workforce training, staffing, and career development opportunities to promote recruitment, retention and succession planning.*

The U.S. Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*, Standards 10.01, 10.02, and 10.03, state:

10.01 Management should design control activities to achieve objectives and respond to risks. ...

10.02 Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives. ...

10.03 Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Staffing constraints within the contract administration department have caused the Commission to concentrate key functions and operations in the role performed by the contracting officer. This, combined with the lack of updates to the COWP policy, has resulted in limited Commission oversight of the contracting officer's award activities.

Although medium- and large-sized agencies may have a senior warrant level with an unlimited threshold, as outlined in regulations such as the FAR and GSAM, this is based on the contracting officer's years of experience and qualifications, as well as the agency's award volume and warrant requirements. However, because there are no other personnel with comparable authority to perform reviews, the Commission risks making contract awards that may not be aligned with its procurement strategy and goals.

Inadequate contract oversight increases the risk that the Commission may include material errors in its contract documents, heightening its exposure regarding contract terms, requirements, and contract performance.

Recommendations

We recommend that the Commission:

1. Update its COWP policy to ensure that it has appropriately evaluated and assigned its warrant threshold designations. This evaluation should be based on the contracting officer's qualifications and experience, the current and anticipated award volume, and the assessed need for the warrant levels.
2. Appoint at least one other warranted officer in the contract administration department to review award activities and contract documents, including contract modifications, to ensure that the Commission does not include material errors in its contract documents and to prevent the Commission from entering into transactions and commitments that may exceed its strategic, operational, regulatory, and budgetary constraints.

Finding 4: The Commission needs more robust oversight procedures and tools for monitoring contract activity; in particular, the log that serves as the Commission's primary contract tracking mechanism contains intermittent errors.

The contracting officer uses a contract log to document the Commission's contract activity. This log contains active contracts and tracks those contracts that are due for renewal. We reviewed the contract log for FY 2021 and FY 2022 and noted that, although the contract log did include the contract activity that the Commission entered into for this period, it also contained errors. In one instance, we also noted an error in the contract document. The Commission's monitoring procedures should have captured these errors.

Specifically, we noted errors related to 4 of the 16 sampled contract awards, as follows:

- The contract log reported an incorrect modification amount for two contracts. For one contract, the contract log showed the modification as \$64,377 rather than the \$321,887 presented on the modification document. For the other contract, the contract log showed the modification as \$29,756 rather than the \$44,634 presented on the modification document.
- The contract log incorrectly showed one contract award as a small business set-aside when the award document did not contain that designation.
- For one contract, the contract document presented the effective date of the award as taking place one year earlier than the award approval date and the performance commencement date.

The contracting officer plays a key role in the overall administration of each contract. The contracting officer appoints a COR for each contract and coordinates the appropriate training. We confirmed that the contracting officer had duly appointed and designated a COR for each contract. We noted areas in which the COR provided support to the contracting officer.

GSAM, Subpart 501.601 (b), states:

(1) The Head of the Contracting Activity (HCA) is ultimately responsible for managing all aspects of their respective contracting activity. Additional roles are identified throughout the FAR and GSAM to support HCAs in their responsibilities, including the Contracting Director, Contracting Activity Advocate for Competition, and Acquisition Career Navigator (ACN). ...

(2) HCA. A summary of HCA responsibilities include, but are not limited to:

(i) Executive oversight.

(A) Establishing and maintaining internal controls to achieve the objectives of effective and efficient operations and compliance with applicable laws and regulations;

(B) Monitoring the performance of assigned acquisition activities and acquisition programs, collecting review results, and adjusting processes with the aim of continuous improvement;

(C) Establishing infrastructure, as necessary, to support acquisition management and oversight for their workforce members, including systems required to effectively manage contract and workforce data...

GAO's *Standards for Internal Control in the Federal Government*, Standards 10.01, 10.02, and 10.03, state:

10.01 Management should design control activities to achieve objectives and respond to risks.

10.02 Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks. As part of the control environment component, management defines responsibilities, assigns them to key roles, and delegates authority to achieve the entity's objectives.

10.03 Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system.

Because maintaining the contract log is a manual process, it is more susceptible to data input errors, particularly because the Commission does not currently have internal controls in place that require an individual other than the preparer to validate the data. With several contract administration functions concentrated in the contracting officer role, including log maintenance, there is a risk that errors may occur as a result of the complexity and variations in the contract transactions.

Inaccurate data in the contract log, such as incorrect contract/solicitation numbers, incorrect effective or approval dates, and improper modifications and award amounts, may affect the timeliness and quality of the Commission's contract administration processes. This may in turn prevent the Commission from properly initiating contract renewals, appropriately monitoring contract performance relative to deliverables and milestones, and ensuring compliance with regulations and requirements related to small business contracting.

Inaccurate data in the contract log could also cause issues related to contract closeout. It is essential for organizations to have a proper system in place to monitor milestones and track contract closeout, from physical completion through final payment. Organizations execute contract closeout once they have completed all administrative actions, settled all disputes, and made final payments, and flawed contract management data may prevent the organization from properly completing the closeout procedures.

Recommendations

We recommend that the Commission:

1. Implement a more robust contracts tracking system that includes validating data against the source documents and ensuring that when an individual updates the tracking system, another individual reviews those updates. The frequency of the quality checks or data validation reviews required is contingent on the volume and complexity of the contracting activities.

Finding 5: The contracting officer is not preparing CARs and uploading them into FPDS on a timely basis.

The FAR requires contracting officers to complete the CAR within 3 business days of the contract award. We obtained and reviewed copies of 13 CARs that the contracting officer uploaded to FPDS and noted that the contracting officer did not complete 4 of the 13 CARs within 3 business days after the CFO approved the GSA-49. In some instances, the contracting officer prepared and submitted the CAR several months (in some cases up to 8 months) after receiving approval.

FAR 4.604, *Responsibilities*, states:

- (a) *The Senior Procurement Executive in coordination with the head of the contracting activity is responsible for developing and monitoring a process to ensure timely and accurate reporting of contractual actions to FPDS.*
- (b) (1) *The responsibility for the completion and accuracy of the individual contract action report (CAR) resides with the contracting officer who awarded the contract action. CARs in a draft or error status in FPDS are not considered complete.*
- (2) *The CAR must be confirmed for accuracy by the contracting officer prior to release of the contract award. The CAR must then be completed in FPDS within three business days after the contract award.*

Staffing constraints within the contract administration department have caused the Commission to concentrate key functions and operations in the role performed by the contracting officer. This, combined with the lack of updates to the COWP policy, has created an outcome in which the Commission has limited oversight of the contracting officer's award activities. As a result, FPDS contains outdated contract award data, resulting in improper reporting on the contract award activity with respect to dollar amounts and key categories of the awards.

Recommendations

We recommend that the Commission:

1. Ensure that the contracting officer properly completes the CAR and submits it to FPDS within 3 business days after issuing an award.

V. CONCLUSION

This report assessed the risks and effectiveness of the Commission's contract administration processes, including its key internal controls designed to manage and monitor those processes. The report found that, overall, the Commission's internal controls over contract administration were effective. However, the report noted areas in which the Commission must improve its controls to address the staffing shortfalls in the OCP and bolster its oversight and monitoring controls.

APPENDIX I – SCOPE AND METHODOLOGY

Sikich conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (2018 revision). These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. We believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To accomplish the objective, we:

- Planned the audit to reduce audit risk to an acceptably low level. Planning was a continuous process throughout the audit. To address our audit objective, we interviewed key officials from the Commission. We collected and reviewed key documents containing suitable criteria and analyzed data relevant to the audit objective.
- Reviewed laws, regulations, policies, and procedures applicable to the Commission’s contract administration activities.
- Obtained and examined the interagency agreements (IIAs), service level agreements (SLAs), and contract documents to evaluate the contract terms and agreement requirements and performance targets, expectations, and milestones.
- Obtained copies of policies, procedures, and other guidance relevant to the Commission’s contract administration activities and conducted reviews to gain an understanding of the business processes and key controls as they related to the audit objective.
- Reviewed the internal controls the Commission has in place for managing and monitoring its contract administration activities.
- Obtained and analyzed data and reports the Commission used to monitor and evaluate the effectiveness of its contract administration oversight activities. We performed population validation procedures to assess the reliability of the data we received. We determined that the data provided was sufficiently reliable for the purposes of the audit.
- Conducted interviews and walkthroughs with the Director of the OCP and other Commission officers and staff connected with contract administration activities to gain an understanding of—and assess the adequacy of—the internal controls significant to contract administration.
- Selected samples and performed testing procedures to evaluate the design and operating effectiveness of the Commission’s internal controls over its contract administration processes.

Sikich conducted the audit (remotely) at its off-site location in the Washington, D.C. metropolitan area from January 2023 to December 2023.

APPENDIX II – MANAGEMENT COMMENTS

Management Comments (Contract Administration Audit)



U.S. ABILITYONE COMMISSION

April 3, 2024

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355 E Street, SW, Suite 325
Washington, DC 20024

MEMORANDUM FOR: Sikich LLP (via AbilityOne Office of Inspector General)

FROM: Kimberly M. Zeich, Executive Director

Kimberly M. Zeich
Digitally signed by
Kimberly M. Zeich
Date: 2024.04.03
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SUBJECT: Management Comments for Contract Administration Audit

We have reviewed the draft audit report of February 20, 2024, in which the independent auditor found that, overall, the Commission's internal controls over Contract Administration were effective. We appreciate the auditor's findings and recommendations to make improvements to enhance the oversight and monitoring of controls.

Since the audit's commencement in January 2023, the Commission has taken several steps to improve and enhance its oversight and monitoring of controls related to contract administration. In particular, the Commission onboarded a Procurement Analyst (Series 1102) to support the Office of Contracts and Policy, and initiated the process to use the Multi-tenant Shared Services Acquisition (MSA) system for automated contract writing and streamlined contract reporting functions. These agency actions support our concurrence with the recommendations, as detailed in the management comments provided in the attachment.

Attachment:
Management Comments (Contract Administration Audit)

Management Comments (Contract Administration Audit)

Finding 1: The Commission is not properly tracking small business awards to ensure compliance with the Small Business Act and with FAR requirements.

Recommendation:

1. Implement a contract tracking system that will enable the contracts administration team to perform a detailed analysis of small business awards in each of the small business categories and compare the award value for each category against the total value for all awards to ensure that the Commission can effectively monitor its award activities with regard to its small business procurement goals.

Management Comments:

The Commission concurs with the recommendation. The Commission initiated implementation of the Multi-tenant Shared Services Application (MSA) contract writing system in FY 2023. The MSA will allow the Commission to run a monthly report that includes contract type, contract number, and social economic status, supporting the agency's tracking and reporting functions. The Commission expects to "go live" with the MSA system by the end of April 2024. Additionally, the Commission will generate monthly reports from the System for Award Management (SAM) to monitor and analyze its contract awards. Both systems will allow the Commission to closely track the SBA goaling requirement. Full implementation of this recommendation will occur by September 30, 2024.

Finding 2: The Commission's contract-writing process relies heavily on manual activities, including the transcription and replication of key provisions and clauses to solicitations and contract documents.

Recommendation:

1. Implement a contract-writing system that integrates an industry-standard, automatically updated provision, and clause database. The Commission should also have associated controls in place to ensure that the database is up to date and meets the pertinent acquisition regulations and statutory requirements.

Management Comments:

The Commission concurs with the recommendation. As noted above, the Commission initiated implementation of the MSA contract writing system in FY 2023. With the Commission's imminent implementation of MSA, its manual contract writing processes will be replaced with the electronic system, ensuring that future Commission contracts include the most up-to-date provisions and clauses. The provision and clauses will be automatically updated to align with changes in the Federal Acquisition Regulation (FAR) and OMB guidance. Full implementation of the recommendation will occur by September 30, 2024.

Management Comments (Contract Administration Audit)

Finding 3: The Commission does not have adequate oversight of the contracting officer's activities.

Recommendation:

1. Update its COWP policy to ensure that it has appropriately evaluated and assigned its warrant threshold designations. This evaluation should be based on the contracting officer's qualifications and experience, the current and anticipated award volume, and the assessed need for the warrant levels.
2. Appoint at least one other warranted officer in the contracts administration department to review award activities and contract documents, including contract modifications, to ensure that the Commission does not include material errors in its contract documents and to prevent the Commission from entering into transactions and commitments that may exceed its strategic, operational, regulatory, and budgetary constraints.

Management Comments:

The Commission notes that its Contracting Officer's qualifications, certifications, experience, and grade level are consistent with unlimited warrant authority in many other Federal agencies. Several internal controls contribute to the agency's oversight of the Contracting Officer's activities. For example, prior to the Contracting Officer making an award, the Chief Financial Officer (CFO) provides a certification regarding the availability of funds and the Executive Director reviews and approves the obligation. For all contracts over the Simplified Acquisition Threshold, the Commission's Office of General Counsel provides a legal review prior to the Executive Director's review and approval of the obligation. All contracts and modifications are provided to the CFO as part of the agency's financial management procedures. The status of each agency requirement and contract award is reviewed during bi-monthly budget meetings led by the CFO and attended by management and all Commission staff involved in acquisition.

The Commission concurs with the recommendations as prudent risk mitigation activities. The Commission will update its Contracting Officer Warrant Program (COWP) policy consistent with its overall schedule for routine policy updates, including an evaluation of warrant threshold designations. The Commission onboarded Procurement Analyst (1102) in April 2023 to assist with contracting oversight and customer engagement. The Procurement Analyst currently serves as a contract specialist and reviews all contracts actions administered by the Contracting Officer. Upon completion of additional acquisition training, the Procurement Analyst will be issued a warrant as outlined in the COWP, to assist in the administration and execution of contracts under the supervision of the Contracting Officer. Full implementation of the recommendation will occur by September 30, 2024.

Management Comments (Contract Administration Audit)

Finding 4: The Commission needs more robust oversight procedures and tools for monitoring contract activity; in particular, the log that serves as the Commission's primary contract tracking mechanism contains intermittent errors.

Recommendation:

1. Implement a more robust contracts tracking system that includes validating data against the source documents and ensuring that when an individual updates the tracking system, another individual reviews those updates. The frequency of the quality checks or data validation reviews required is contingent on the volume and complexity of the contracting activities.

Management Comments:

The Commission concurs with the recommendation. With the implementation of the MSA contract writing system discussed above, the Commission will maintain an electronic log that automatically pulls information from fully executed contracts, replacing the manual log. The onboarding of the Commission's Procurement Analyst in 2023 provides additional staff resources to conduct quality checks or data validation, as necessary. Full implementation of the recommendation will occur by September 30, 2024.

Finding 5: The contracting officer is not preparing CARs and uploading them into FPDS on a timely basis.

Recommendation:

1. Ensure that the contracting officer properly completes the CAR and submits it to FPDS within 3 business days after issuing an award.

Management Comments:

The Commission concurs with the recommendation. The MSA contract writing system soon to be deployed by the Commission includes a feature that will automatically send the contract information to FPDS-NG upon award. This feature will eliminate the manual process of logging into a separate system and manually entering in all contract action information. Full implementation of the recommendation will occur by September 30, 2024.

APPENDIX III – EVALUATION OF MANAGEMENT COMMENTS

In commenting on a draft of this report, the Executive Director of the Commission concurred with all five of the recommendations. In reviewing management's response, we noted that management cited three key corrective actions to address those recommendations.

One of those corrective actions is the planned implementation of the Multi-tenant Shared Services Application (MSA) contract-writing system, which will allow for a more effective contract documentation and reporting process to enable the Commission to meet statutory procurement requirements. This system is projected to go live in April 2024, with full implementation in September 2024.

Management will implement a corrective action for the onboarding and training of a procurement analyst, who will assist in the administration and execution of contracts upon being issued a warrant. This addition will enable the Commission to perform more effective reviews. Full onboarding is projected to occur by September 30, 2024.

Management will also implement a corrective action plan to update its COWP Policy to ensure that it has appropriately evaluated and assigned its warrant threshold designations. Full implementation will occur by September 30, 2024.

For management's complete response, see Appendix II.

APPENDIX IV – LIST OF ACRONYMS

Acronym	Description
CAR	Contract Activity Report
CFO	Chief Financial Officer
COR	Contracting Officer Representative
COWP	Contracting Officer Warrant Program
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
FY	Fiscal Year
GAO	Government Accountability Office
GPC/GTC	Government Charge Cards
GC	General Counsel
GSA	General Services Administration
GSAM	General Services Acquisition Manual
IAA	Interagency Agreements
JWOD	Javits-Wagner-O'Day
OCP	Office of Contracting and Policy
OIG	Office of Inspector General
OMB	Office of Management and Budget
SBA	Small Business Administration
SLA	Service Level Agreement