



**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 Third-Party Service Provider Agreements

We are pleased to provide the performance audit report on the U.S. AbilityOne Commission's Audit of Third-Party Service Provider Agreements conducted by Sikich LLP, an independent public accounting firm. The U.S. AbilityOne Commission Office of Inspector General (OIG) engaged Sikich, an independent public accounting firm to conduct the performance audit and provide a report. The objective of the audit was to determine the extent to which the services provided by third-party organizations align with the terms of existing service agreements.

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 third-party service agreements, 2) obtained and analyzed data and reports the Commission used to monitor and evaluate the effectiveness of the Commission's oversight activities related to third-party service providers. Sikich performed population validation procedures to assess the reliability of the data Sikich received. Sikich determined that the data obtained were sufficiently reliable for the purposes of our audit, 3) conducted interviews and walkthroughs with key Commission and third-party service provider personnel involved in the management and administration of the Commission's third-party service agreements to gain an understanding and assess the adequacy

of the internal controls significant to the performance and tracking of third-party services, and 4) selected samples and performed testing procedures to evaluate the design and operating effectiveness of the Commission's internal controls over its third-party service agreements and its monitoring of the performance of third-party service providers.

Overall, the report found the Commission's internal controls over its third-party service agreements were effective in managing and monitoring its service providers. However, the report noted areas in which the Commission must improve its controls to help ensure that service providers adhere to the terms of their agreements. Specifically, the report noted that 1) the Commission needs enhanced mechanisms to monitor GSA CABS' performance under the terms of its agreement; 2) the Commission must improve its coordination with GSA/USDA OCFO regarding the year-end accrual assessment; 3) the Commission must implement measures to address discrepancies identified between the Notification of Personnel Action forms that GSA CABS processes and issues and the Request for Personnel Action forms that the Commission submits to CABS through LC3 Solutions; 4) the Commission must improve its coordination with GSA CABS to ensure that GSA CABS properly processes the Notification of Personnel Action forms in a timely manner; 5) LC3 Solutions did not always process and discharge FOIA requests in a timely manner. The report yielded eight recommendations to improve the Commission's overall risk and effectiveness of third-party service providers.

We appreciate the Commission's assistance during the course of the audit. If you have any questions, please contact me or Lauretta 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 on the Third-Party Service Provider Agreements

Office of Inspector General Report No. 2022-04. 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) Third Party Service Provider Agreements. The audit objective was to assess the extent to which services provided by third party providers align with the terms of the agreements as well as the overall effectiveness of the internal controls over Commission's monitoring of the performance of the third-party service providers against the terms of the agreement.

What We Audited

The audit scope included assessing the risk and overall effectiveness of the Commission's third-party service agreements, including its key internal controls over the agreements, and determine whether there are effective controls in place to manage and monitor the services provided. Sikich examined the Commission's management and administration of the third-party service agreements from fiscal year (FY) 2020 through FY2022. Sikich reviewed laws, regulations, policies, and procedures applicable to third party service provider agreements; conduct interviews with key personnel, and analyze data, reports, and other supporting documentation related to third party service agreements.

What We Recommend

The report yielded eight recommendations to improve the Commission's overall risk and effectiveness of third-party service providers. The Commission concurs with these recommendations and is the process of implementing corrective actions.

What We Found

Overall, the report concluded that the Commission's internal control, over the third-party service agreements, to manage and monitor the service providers were effective, and that services and deliverables were provided in accordance with the terms of the agreements.

The report identified five opportunities for the Commission to improve the oversight and monitoring controls of the 3rd party service providers: 1) enhancing internal control procedures and mechanism that allow for the effective tracking of actual deliverables from the service providers against those prescribed in the respective agreements; 2) developing more coordinated measures between the Commission and the financial management service provider to ensure the completeness and accuracy of year-end accruals; 3) implementing measures to ensure the Request for Personnel Action (SF-52 or PAR) are properly completed and processed in accordance with personnel event; 4) implementing measures to ensure the Notification of Personnel Actions (SF-50s) are processed and approved timely; and 5) assessing the Freedom of Information Act (FOIA) response framework to determine resource allocation for performance optimization.

Although the Commission performs PAR spot checks to assess the service provider's performance, the Commission does not maintain any measurement mechanism to assess the timeliness or accuracy of the PAR processing and outputs.

The Commission has made improvements in the year-end accrual processes. However, more is needed to ensure an accurate accounting of accruals is made and a systematic subsequent payments procedure is implemented to facilitate the effort.

Although there are processes in place for the preparation of SF-52 form and submission to third party to prepare the respective SF-50 form, discrepancies were identified between the two documents. Further, there is a significant time lag with processing and approving SF-50 forms.

Also, as of result of staffing restraints, the Commission has exceeded the 30-day timeline to respond to FOIA request.

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



**PERFORMANCE AUDIT OF THIRD-PARTY
SERVICE PROVIDER AGREEMENTS**

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

PERFORMANCE AUDIT REPORT

MAY 30, 2024

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DRAFT

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 Third-Party Service Provider Agreements

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) third-party service provider agreements. The Commission's Office of Inspector General (OIG) engaged Sikich to conduct this audit. The purpose of this audit was to assess the extent to which services provided by third-party service providers aligned with the terms of the service providers' agreements, as well as to assess the overall effectiveness of the Commission's internal controls related to monitoring the service providers.

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 those 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 third-party service provider agreements.

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS), promulgated by the Comptroller General of the United States. These 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 obtained provides a reasonable basis for the findings and conclusions based on the audit objective. The report describes our 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 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 engages agencies and private contractors to provide third-party services, as defined by their respective service level agreements (SLAs). Outsourcing operations to third-party service providers enables the Commission to save money and increase operational efficiency. However, as the role of third-party service providers expands, having controls in place to manage and monitor the services provided has become key to organizational success.

Overall, the scope of this audit included three interagency agreements (IAAs) and one contract for third-party services. The third-party service providers include:

- The General Services Administration (GSA) Office of the Chief Financial Officer (OCFO), which provides payroll systems support and associated back-office administrative services. The U.S. Department of Agriculture (USDA) OCFO works in tandem with GSA to provide financial management and travel services.
- The GSA Managed Service Office (MSO) program, which provides personal identity verification (PIV) card support services such as enrollment, issuance, card printing, Public Key Infrastructure (PKI) certificates, card finalization, and maintenance of identity accounts.
- The GSA Commissions and Boards Services (CABS), which provides consultation across Human Resources (HR) business lines, including creation and execution of desired organization structure; position classification and compensation; talent acquisition; on-boarding of new employees; federal benefits management; HR information technology (IT) services, time and leave, and business analytics; and personnel action processing and electronic official personnel folder (eOPF) maintenance.
- LC3 Solutions, a private contractor that supports the Commission in adhering to policies, procedures, and regulations concerning the Freedom of Information Act (FOIA) and Privacy Act (PA).

II. AUDIT OBJECTIVE

The audit objective was to assess the risks and overall effectiveness of the Commission's third-party service agreements, including its key internal controls over the agreements, and to determine whether the Commission has effective controls in place to manage and monitor the services provided. 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 its third-party service agreements were effective in managing and monitoring its service providers. However, the report noted areas in which the Commission must improve its controls to help ensure that service providers adhere to the terms of their agreements. Specifically, the report noted that:

- The Commission needs enhanced mechanisms to monitor GSA CABS' performance under the terms of its agreement.
- The Commission must improve its coordination with GSA/USDA OCFO regarding the year-end accrual assessment.
- The Commission must implement measures to address discrepancies identified between the Notification of Personnel Action forms that GSA CABS processes and issues and the Request for Personnel Action forms that the Commission submits to CABS through LC3 Solutions.
- The Commission must improve its coordination with GSA CABS to ensure that GSA CABS properly processes the Notification of Personnel Action forms in a timely manner.
- LC3 Solutions did not always process and discharge FOIA requests in a timely manner.

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 does not have performance measurement tools in place to consistently track and monitor GSA CABS' HR support activities and deliverables against the contract terms.

GSA CABS provides the Commission with account management services. This includes acting as a liaison with other parts of GSA and other federal agencies and helping to assess the Commission's service requirements and determine which, if any, GSA service provider may best address the Commission's needs. Per its IAA with the Commission, GSA CABS also provides HR support. This includes offering consultation across HR business lines, including creation and execution of the desired organization structure; position classification and compensation; talent acquisition; on-boarding of new employees; federal benefits management; HR IT services, time and leave, and business analytics; and personnel action processing and eOPF maintenance.

We noted that the Commission, through LC3 Solutions, performed spot checks on deliverables and held direct conversations with GSA CABS regarding real-time submissions of Personnel Activity Reports (PARs). However, in some areas, such as pay adjustment submissions, the Commission relied on employees to notify it regarding any errors in GSA CABS' data processing and output (such as pay discrepancies).

We examined the Commission's correspondence with GSA CABS and reviewed the related records and supporting documentation, including email correspondence between the Commission and GSA CABS regarding PAR spot-check issues, to assess the extent and adequacy of Commission management's evaluation of GSA CABS' performance relative to the terms of the contract. We determined that management did not have any performance measurement mechanism in place to assess the timeliness and accuracy of GSA CABS' PAR processing and outputs, the volume of employee onboarding, or the effectiveness of its eOPF maintenance. Such a mechanism would enable management to assess and document GSA CABS' effectiveness and efficiency in performing personnel and HR support services.

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.

Commission management asserted that, because GSA CABS' services frequently include non-routine and ad-hoc transactions, there would be minimal value in implementing a performance measurement tool, as management is primarily focused on ensuring that GSA CABS provides real-time, quality responses. However, without adequate performance measurement tools in place, management faces the risk that GSA CABS may not provide deliverables in accordance with contract terms, including those regarding the agreed-upon quality and timeliness of deliverables, and that the Commission will not receive the appropriate value for money regarding the contracted services. The Commission also risks cost overruns due to performance remediation arising from flawed deliverables that the Commission may not detect in a timely manner.

In addition, the Commission faces the risk that GSA CABS may not provide Commission-specific and general HR services in accordance with the applicable requirements and agreement terms. This in turn may have a negative effect on employee records across multiple systems—including payroll—that rely on the data and services that GSA CABS provides.

Recommendations

We recommend that the Office of the Executive Director:

1. Enhance the Commission's internal controls related to oversight of third-party service providers and implement performance monitoring procedures. These procedures should allow for the effective tracking of the service providers' actual deliverables against the requirements prescribed in the IAA.
2. Evaluate third-party service providers' performance against the milestones and timeline expectations identified in the IAA or SLA. The evaluation mechanisms and tools should incorporate any performance metrics outlined in the IAA or SLA.

Finding 2: The Commission should improve its coordination with GSA/USDA for the year-end accruals process.

GSA OCFO provides the Commission with payroll systems and associated back-office administrative services, including payroll services and PAR systems support. The GSA OCFO Payroll Services Branch furnishes all covered payroll functions using GSA's Payroll Accounting and Reporting system. GSA pays all salaries and government contributions from its deposit accounts. The Commission reimburses GSA for these amounts on a biweekly basis using the Intra-Governmental Payment and Collection (IPAC) system. GSA's payroll services include tracking and monitoring payroll-related activities, from initial hire to final payments at separation, and performing payroll-related processes such as maintaining time-and-attendance data, automating W2s, performing employer quarterly tax reporting, and preparing budget reports. GSA OCFO's services also include managing Federal Employees Health Benefits (FEHB) payments, providing any data required by the U.S. Office of Personnel Management (OPM), providing comprehensive payroll reports (e.g., the Electronic Pay and Leave Statement through OPM's Employee Express [EEX], quarterly overtime reports, and payroll reports), and performing other payroll-related processes.

GSA OCFO also provides optional payroll services, as needed. These include additional services that are outside the basic payroll services and that result in changes to the PAR system, such as customized ad hoc queries and any other specialized requests for information other than routine analysis and processing. GSA OCFO also provides Centralized Enrollment Clearinghouse services for FEHB reconciliation.

In partnership with USDA OCFO-Pegasus Financial Services (PFS), GSA also provides financial management and travel services. The financial management services are supported through USDA OCFO-PFS's core financial management system, the Multi-Tenant Shared Application (MSA). GSA also provides financial management reporting, accounting, and budgeting support, while USDA OCFO-PFS fulfills U.S. Department of the Treasury (Treasury) and Office of Management and Budget (OMB) external reporting requirements.

With respect to accounting support, USDA records obligations, receipts, and disbursements. It processes accounts receivable, reimbursables, IPACs, and Collections Information Repository (CIR) information; ensures compliance with Prompt Payment Act regulations; reconciles general ledger subsidiary transactions; and reconciles Fund Balance with Treasury.

With respect to budgeting and analysis support, USDA inputs and updates the Commission's budget in the OMB budget and data collection system, known as the MAX A-11 Data Entry (MAX) database; coordinates financial policy interpretation with OMB; apportions and allots budget based on guidance from the Commission's staff director or designated point of contact; and tracks spending to identify Antideficiency Act violations.

USDA also provides optional financial management services, including customized ad hoc queries other than routine analysis and processing, as well as manual payments outside of the standard automated payments. In addition, USDA assists in preparing the Commission's Digital Accountability and Transparency Act (DATA Act) submission.

For accruals, the Commission submits material accruals (i.e., payroll, bonuses, and accounts payable) to USDA before USDA prepares the Commission's interim and year-end financial statements. The Commission is responsible for developing accruals for known liabilities and receipts. The Commission then coordinates with USDA to develop the trial balance accounts payable/liabilities amount and obtains a query of transactions comprising this amount. USDA provides the Commission with a format for submitting the accruals, and the Commission submits the accruals to USDA as part of its transmittal processing, to enable it to track the accruals. The accruals must follow standard funds management and obligation workflow processes for funds certification, and the appropriate personnel must approve the transmittals. The Commission tracks accrual submissions and cross-references the accruals to the trial balance and the financial statements to ensure the accuracy and completeness of financial reporting.

We noted that, although the Commission has made improvements in its year-end accruals process, it must take further steps to ensure that it accurately accounts for its accruals, including implementing measures such as systematic testing procedures over subsequent payments. Specifically, we tested a sample of seven payments from October and November 2022 (subsequent to the end of fiscal year [FY] 2022) and identified two FY 2022 payments that the Commission did not properly accrue, for a total of \$48,200.

Statement of Federal Financial Accounting Standards (SFFAS) 5, *Accounting for Liabilities of the Federal Government*, defines the recognition points for liabilities associated with different types of events and transactions. SFFAS identifies ten recognition points; however, for the purpose of this finding, we are only citing the first four. These recognition points include:

- *A liability arising from reciprocal or "exchange" transactions... should be recognized when one party receives goods or services in return for a promise to provide money or other resources in the future. ...*
- *A liability arising from nonreciprocal transfers or "nonexchange" transactions... should be recognized for any unpaid amounts due as of the reporting date. ...*
- *Government-related events are nontransaction-based events that involve interaction between federal entities and their environment. The event may be beyond the control of the entity. A liability is recognized for a future outflow of resources that results from a government-related event when the event occurs if the future outflow of resources is probable and measurable... or as soon thereafter as it becomes probable and measurable. ...*

- *Government-acknowledged events are events that are of financial consequence to the federal government because it chooses to respond to the event. A liability is recognized for a future outflow of resources that results from a government-acknowledged event when and to the extent that the federal government formally acknowledges financial responsibility for the event and a nonexchange or exchange transaction has occurred.*

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.

AbilityOne Budget and Financial Management Standard Operating Procedures, October 2021, *Financial Management, Accrual Preparation*, states that:

...to achieve accounting standards, AbilityOne will, at a minimum, submit material accruals (i.e., payroll, bonuses, accounts payable) prior to development of interim and end of year financial statements. Accruals will be developed for known liabilities and receipts.

We determined that the Commission did not properly coordinate with GSA/USDA to ensure that GSA/USDA appropriately processed and accurately recorded and reported the year-end accruals.

We noted that the Commission is at risk of materially understating the balances reported in its financial statements and footnotes with respect to accrued liabilities.

Recommendations

We recommend that the Department of the Chief Financial Officer:

1. Implement policies to enhance the Commission's coordination with GSA/USDA to ensure that the year-end accruals are complete, and that GSA/USDA accurately records and reports the accruals.
2. Deploy year-end control activities, such as subsequent payments testing procedures, to ensure that the Commission and GSA/USDA properly account for and record accruals.

Finding 3: The Commission has discrepancies between the Request for Personnel Action (Standard Form ([SF]-52) and the Notification of Personnel Action (SF-50); in particular, LC3 Solutions omitted key data from the Commission’s SF-52s.

LC3 Solutions provides contractor support to the Commission’s Director of Compliance, Chief of Staff, Senior Cost/Price Analyst, and Executive Director. LC3 Solutions’ responsibilities include:

- **FOIA:** Support the Commission in adhering to policies, procedures, and regulations related to FOIA and the PA records management program.
- **HR:** Prepare PARs for submission to the payroll office, assist the Chief of Staff in developing position descriptions, respond to inquiries from the payroll office and forward them to the Chief of Staff for action, and assist users with timecard submissions.
- **Records Management:** Assist the Records Management Officer with maintaining the Commission’s electronic record-keeping system; ensure that the records conform to the National Archives and Records Administration’s (NARA’s) rules, regulations, and policies; assist the Commission in developing policies and procedures for its records management program and maintain electronic records in the Commission’s SharePoint site.

The Commission’s Office of the Chief of Staff is required to prepare Request for Personnel Action forms (SF-52s) and process the forms for submission to GSA CABS, which prepares the corresponding Notification of Personnel Action form (SF-50) using the data included in the SF-52s. LC3 Solutions is responsible for preparing the SF-52s and submitting them to GSA CABS. Once GSA CABS receives the SF-52s, it enters them into the HR Links system.

LC3 Solutions performs a spot check whenever GSA CABS processes new actions in eOPF to help ensure that the data is correct.

We tested 30 sample items and found 2 discrepancies between the SF-50s and SF-52s. We noted that these personnel actions related to an employee change of duty station and that LC3 Solutions had not properly included the employee’s name, position title, and other identifying attributes when preparing the SF-52.

According to 41 CFR Part 102-194.10, *What is a Standard Form?*:

A Standard form is a fixed or sequential order of data elements, prescribed by a federal agency through regulation, approved by GSA for mandatory use, and assigned a Standard form number. This criterion is the same whether the form resides on paper or purely electronic.

OPM’s *Guide to Processing Personnel Actions (GPPA)*, Chapter 4, Section 2, states:

(1) Supervisors and managers use the [SF-52] form to request

- *position actions, such as the establishment of a new position or the reclassification of an existing position;*
- *employee actions, such as the appointment of an employee or the promotion of an employee; and*

- *actions involving both a position and an employee, such as the establishment and filling of a position, or the reclassification of a position and reassignment of an employee to the reclassified position.*
- (2) *Employees use the form to notify the agency of their resignation or retirement, to request Leave Without Pay (LWOP) and to request a name change.*
- (3) *The personnel office uses the form to record staffing, classification, and other personnel determinations, and then uses the information on the form to prepare the Notification of Personnel Action.*

We determined that these discrepancies occurred as a result of staff resource constraints and a lack of proper coordination between the Commission's Office of the Chief of Staff and GSA CABS service providers to ensure that LC3 Solutions and GSA CABS accurately complete the SF-52s and SF-50s and process them in a timely manner. As a result of these issues, the Commission may be at risk of non-compliance with OPM requirements. In addition, employee data in systems that rely on input from the SF-50s may not be accurate. The Commission is also potentially at risk of incorrect information in other systems, including payroll and benefits systems, due to inaccurate employee records. This could result in possible financial loss and legal action against the Commission.

Recommendations

We recommend that the Office of the Executive Director:

1. Enhance its procedures over the review of, and reconciliation between, the data on the Request for Personnel Action (SF-52) and the Notification of Personnel Action (SF-50) for the same personnel event, to ensure that the Commission detects and addresses discrepancies in a timely manner.
2. Implement measures to ensure that LC3 Solutions properly completes and processes SF-52s in accordance with the nature of the personnel event.

Finding 4: GSA CABS did not always process SF-50s in a timely manner.

We obtained and tested a sample of 18 SF-50s to determine whether the processing time for each action was reasonable. Specifically, we examined the processing times for each action by comparing the effective date of the action to the approval date. The approval date reflects the date on which the GSA CABS Processing Center released the action in the system, while the effective date reflects when the personnel actions take effect. Most personnel actions must be approved on or before their effective dates; however, we noted 11 instances in which the approval date lagged significantly behind the effective date. In some cases, this lag lasted 200 to 540 days. Several of the sample items with significant time lags were related to new hire personnel actions; the appointing officer therefore did not appropriately approve these personnel actions prior to the effective date.

GPPA Chapter 3, Subchapter 1-3, *Effective Dates*, states:

Except... [in limited circumstances], no personnel action can be made effective prior to the date on which the appointing officer approved the action. That approval is

documented by the appointing officer's pen and ink signature or by an approved electronic authentication in block 50 of the Standard Form 50, or in Part C-2 of the Standard Form 52. By approving an action, the appointing officer certifies that the action meets all legal and regulatory requirements and, in the case of appointments and position change actions, that the position to which the employee is being assigned has been established and properly classified.

GPPA Chapter 3, Subchapter 1-4, *Approval of Personnel Actions*, a. *Requirement for approval*, states:

Most personnel actions must be approved by the appointing officer on or before their effective dates. An appointing officer is an individual in whom the power of appointment is vested by law or to whom it has been legally delegated. Only an appointing officer may sign and date the certification in Part C-2 of the Standard Form 52 or blocks 50 and 49 of the Standard Form 50 to approve an action.

We determined that these lags occurred as a result of insufficient coordination between the Commission's Office of the Chief of Staff and GSA CABS. Proper coordination would ensure that GSA CABS processes the SF-50s in a timely manner.

Without sufficient coordination with GSA CABS, the Commission may be at risk of non-compliance with OPM requirements. If personnel actions do not receive appropriate approval given the nature and timing of the effective date of the action, there is a risk that SF-50s may not be valid. This may negatively affect the accuracy and completeness of the Commission's employee personnel records.

Recommendations

We recommend that the Office of the Executive Director:

1. Implement measures to facilitate closer coordination with GSA CABS to ensure that it processes and approves SF-50s in a timely manner, and that it only makes retroactive approvals based on the conditions described in the OPM GPPA.

Finding 5: LC3 Solutions did not process FOIA requests in a timely manner and, in some instances, did not respond to FOIA requests.

The Commission, through its designated Public Liaison (PL), is required to respond to FOIA requests, subject to the nine exemption provisions, within 20 business days of the official receipt of the request (with up to an additional 10 business days, for a maximum of 30 business days, if the Commission is granted an extension). The Chief of Staff, who functions as the PL, administers the FOIA requests through a third-party contractor, LC3 Solutions. The Office of the Chief of Staff maintains a FOIA log that tracks the details of the requests, as well as the dates that the Commission received and responded to the requests.

We obtained the FOIA log and selected three requests from each FY. We obtained and examined the supporting documentation that showed how the Commission discharged the selected requests and reviewed the timeliness of the responses. We noted three instances in FY 2021 and one instance in FY 2022 in which the Commission's response time exceeded the 30-day threshold. We also noted two instances in FY 2021 in which the Commission did not

respond to the requestor. We inspected the response letters and reviewed the steps taken to resolve the requests, as well as any discussion regarding the Commission's lack of response or its rationale for not providing the information requested.

FOIA (5 U.S. Code [U.S.C.] 552, as amended) states:

(a) Each agency shall make available to the public information as follows:

(1) Each agency shall separately state and currently publish in the Federal Register for the guidance of the public--

(A) descriptions of its central and field organization and the established places at which, the employees (and in the case of a uniformed service, the members) from whom, and the methods whereby, the public may obtain information, make submittals or requests, or obtain decisions;

(B) statements of the general course and method by which its functions are channeled and determined, including the nature and requirements of all formal and informal procedures available;

(C) rules of procedure, descriptions of forms available or the places at which forms may be obtained, and instructions as to the scope and contents of all papers, reports, or examinations;

(D) substantive rules of general applicability adopted as authorized by law, and statements of general policy or interpretations of general applicability formulated and adopted by the agency; and

(E) each amendment, revision, or repeal of the foregoing.

According to 29 CFR Part 2201, *Regulations Implementing the FOIA*, 2201.6, *Responses to requests*, c. *Additional extension*:

The FOIA Disclosure Officer shall notify the requester in writing when it appears that a request cannot be completed within the allowable time (20 working days plus a 10-working-day extension). In such instances, the requester will be provided an opportunity to limit the scope of the request so that it may be processed in the time limit, or to agree to a reasonable alternative time frame for processing. The FOIA Disclosure Officer or FOIA Public Liaison shall be available to assist the requester for this purpose and shall notify the requester of the right to seek dispute resolution services from the National Archives and Records Administration's Office of Government Information Services (OGIS).

We determined that the Commission's staffing resource constraints and an increase in the volume of activities that LC3 Solutions handles for the Office of the Chief of Staff have contributed to LC3 Solutions not processing the three FOIA requests in a timely manner and not processing at least one request at all.

The Commission and its officers are at risk of entities taking adverse legal action to enforce compliance. This may include judicial proceedings that impose sanctions on the Commission

and individuals for improperly withholding records. The Commission could potentially incur court-awarded costs, including attorney fees and other litigation costs against the government.

Recommendations

We recommend that the Office of the Executive Director:

1. Reassess its FOIA response framework to determine how it can optimize its resource allocation to allow for more effective handling, discharge, and tracking of the FOIA requests in a manner that achieves compliance. The Commission should clearly and timely communicate to the public any adjustments to its public-facing framework for processing FOIA requests, including any changes to its FOIA Reference Guide and the designated roles that assist in supporting FOIA requests.

V. CONCLUSION

This report assessed the risks and effectiveness of the Commission's third-party service agreements, including the Commission's key internal controls over its IAAs and contracts. Based on the results of the work performed, the report found that, overall, the Commission's internal controls for managing and monitoring its service providers were effective, and that the service providers completed the services and deliverables in accordance with the terms of the IAAs and contracts. However, the report noted areas in which the Commission needs improvements to enhance its oversight and monitoring of third-party service provider activities relative to the IAAs and contracts.

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 the audit objective, we interviewed key officials from the Commission and the third-party service providers. 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 third-party service agreements.
- Obtained and examined the IAAs, 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 administration and monitoring of third-party service provider agreements 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 overseeing its third-party service provider agreements. This included determining whether the Commission has adequate procedures in place to monitor and track third-party service provider performance against the terms of the agreements.
- Obtained and analyzed data and reports the Commission used to monitor and evaluate the effectiveness of the Commission's oversight activities related to third-party service providers. We performed population validation procedures to assess the reliability of the data we received. We determined that the data obtained were sufficiently reliable for the purposes of the audit.
- Conducted interviews and walkthroughs with key Commission and third-party service provider personnel involved in the management and administration of the Commission's third-party service agreements to gain an understanding and assess the adequacy of the internal controls significant to the performance and tracking of third-party services.
- Selected samples and performed testing procedures to evaluate the design and operating effectiveness of the Commission's internal controls over its third-party service agreements and its monitoring of the performance of third-party service providers.

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 (Third Party Service Provider Audit)



U.S. ABILITYONE COMMISSION

April 4, 2024

PHONE: 703-603-2100

355 E Street, SW, Suite 325
Washington, DC 20319

MEMORANDUM FOR: Sikich LLP (via the AbilityOne OIG)

FROM: Kimberly M. Zeich, Executive Director

Kimberly M. Zeich
Digitally signed by
Kimberly M. Zeich
Date: 2024.04.04
09:22:29 -04'00'

SUBJECT: Management Comments (Third-Party Service Provider 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 its third-party service agreements were effective in managing and monitoring its service providers. We paid particular attention to the audit’s findings and recommendations to enhance oversight and monitoring of the third-party services agreements with the General Services Administration (GSA) for the Commission’s human resources and financial management support. The GSA agreements comprise two of the agency’s three largest expenses for shared services.

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 third-party service agreements. The agency concurred with the auditor’s recommendations, and as described in the attachment, has already partially or fully implemented some of them.

Kimberly M. Zeich
Executive Director

Attachment:
Management Comments

Management Comments (Third Party Service Provider Audit)

Finding 1: The Commission does not have performance measurement tools in place to consistently track and monitor GSA CABS' HR support activities and deliverables against the contract terms.

Recommendations:

1. Enhance the Commission's internal controls related to oversight of third-party service providers and implement performance monitoring procedures. These procedures should allow for the effective tracking of the service providers' actual deliverables against the requirements prescribed in the IAA.
2. Evaluate third-party service providers' performance against the milestones and timeline expectations identified in the IAA or SLA. The evaluation mechanisms and tools should incorporate any performance metrics outlined in the IAA or SLA.

Management Comments:

The Commission concurs with the recommendations. The Commission's Interagency Agreement (IAA) with GSA Commissions and Boards (CABs) is a standard servicing agreement used with multiple agencies, and does not include milestones or dates for deliverables. However, the Commission has secured GSA's commitment to append the IAA with performance measures to address areas of concern identified in prior audits. The Commission has formalized its tracking process to monitor transactions that have been submitted to CABs for processing. Additionally, the Commission now holds weekly meetings with our CABs servicing team to address all open HR actions. Full implementation of these recommendations will occur by June 30, 2024.

Finding 2: The Commission should improve its coordination with GSA/USDA for the year-end accruals process.

Recommendations:

1. Implement policies to enhance the Commission's coordination with GSA/USDA to ensure that the year-end accruals are complete and that GSA/USDA accurately records and reports the accruals.
2. Deploy year-end control activities, such as subsequent payments testing procedures, to ensure that the Commission and GSA/USDA properly account for and record accruals.

Management Comments:

The Commission concurs with the recommendations. In response to the identification of this issue during the FY 2023 Financial Statements Audit, the Commission initiated updates to its budget and financial management standard operating procedures to clarify accrual processing for completeness and accuracy. The Chief Financial Officer will review all year-end accruals before submission to GSA for processing. The Commission will also conduct recurring sampling of subsequent payments to ensure the accuracy of recorded accruals. Full implementation of recommendations will occur by September 30, 2024.

Management Comments (Third Party Service Provider Audit)

Finding 3: The Commission has discrepancies between the Request for Personnel Action (Standard Form (SF)-52) and the Notification of Personnel Action (SF-50); in particular, LC3 Solutions omitted key data from the Commission's SF-52s.

Recommendations:

1. Enhance its procedures over the review of, and reconciliation between, the data on the Request for Personnel Action (SF-52) and the Notification of Personnel Action (SF-50) for the same personnel event, to ensure that the Commission detects and addresses discrepancies in a timely manner.
2. Implement measures to ensure that LC3 Solutions properly completes and processes SF-52s in accordance with the nature of the personnel event.

Management Comments:

The Commission concurs with the recommendations. The Commission has established additional quality checks in which all SF-50 notifications that result from an SF-52 request are routinely reviewed for accuracy by the Commission's HR staff. Any discrepancies are identified and reported to CABs at weekly coordination meetings with the Commission's HR staff, which includes its LC3 contractor. All SF-52s are completed in accordance with the Guide to Processing Personnel Actions (GPPA), as appropriate for the nature of the personnel action. As the independent audit found that 28 of the 30 sampled SF-52s and SF-50s had no discrepancies, the Commission is confident that this fine-tuning of its controls and the additional coordination established with CABs will ensure a high level of accuracy going forward. The Commission considers these two recommendations to be implemented.

Finding 4: GSA CABS did not always process SF-50s in a timely manner.

Recommendation:

1. Implement measures to facilitate closer coordination with GSA CABS to ensure that it processes and approves SF-50s in a timely manner, and that it only makes retroactive approvals based on the conditions described in the OPM GPPA.

Management Comments:

All SF-52 forms to initiate a personnel action are approved by an appropriate Commission official prior to submission to CABs for processing, and include a requested effective date. The SF-50 notifications issued by GSA Payroll upon processing reflect a system-generated approval that has, on several occasions, lagged behind the requested effective date. The Commission concurs with the audit recommendation. The Commission has formalized its tracking process to monitor actions submitted to CABs for processing and to engage in follow-up communication as necessary. While the Commission cannot ensure that GSA Payroll's system will generate approval of an SF-50 prior to the requested effective date, the Commission's review and reconciliation process will identify discrepancies between the SF-52 and the SF-50 to report to CABs during weekly coordination meetings. The Commission considers this recommendation to be implemented.

Management Comments (Third Party Service Provider Audit)

Finding 5: LC3 Solutions did not process FOIA requests in a timely manner and, in some instances, did not respond to FOIA requests.

Recommendation:

1. Reassess its FOIA response framework to determine how it can optimize its resource allocation to allow for more effective handling, discharge, and tracking of the FOIA requests in a manner that achieves compliance. The Commission should clearly and timely communicate to the public any adjustments to its public-facing framework for processing FOIA requests, including any changes to its FOIA Reference Guide and the designated roles that assist in supporting FOIA requests.

Management Comments:

The LC3 contractor supported but was not responsible for the Commission's FOIA administration. The Commission concurs with the recommendation to optimize its FOIA administration and to update its public-facing FOIA Reference Guide, and has already taken several significant steps toward implementation. In FY 2022, the Commission reassessed its FOIA response framework and determined that additional staffing resources were needed. In early FY 2023, the Commission onboarded two additional attorneys to support its Office of General Counsel (OGC). The Executive Director then transitioned responsibility for FOIA administration to the OGC, with the LC3 contractor providing records management support for FOIA requests as appropriate. The Commission's FY 2023 FOIA Annual Report shows that the agency routinely processed "perfected" (clarified) FOIA requests in less than five days. The Commission also reduced its FOIA backlog from 48 requests at the end of FY 2022 to only 3 requests at the end of FY 2023. The Commission will update its FOIA Reference Guide to reflect the changes described. Full implementation of the recommendation will occur by May 31, 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 for findings 1, 2, and 5, management indicated that the Commission is in the process of fully implementing the corrective actions. For findings 3 and 4, management asserted that the Commission had implemented corrective actions related to the recommendations as of March 1, 2024. However, since the period of performance ended December 31, 2023, we did not conduct procedures to validate management's implementation of these corrective actions.

For those recommendations that the Commission is in the process of implementing, management presented corrective actions aimed at improving the Commission's coordination with GSA/CABS and GSA/USDA and at enhancing those agencies' mechanisms for monitoring deliverables. Management's corrective actions related to the LC3 Solutions contractor are aimed at improving the timeliness and quality of those deliverables relative to the respective IIAs and contracts.

Management's corrective actions include:

- 1) Formalizing the Commission's process for monitoring transactions that it has submitted to GSA/CABS for processing. The Commission has initiated this corrective action, with full implementation occurring by June 30, 2024.
- 2) Updating the budget and financial management standard operating procedures to clarify the procedures for processing accruals to ensure completeness and accuracy, requiring the CFO to perform year-end accrual reviews before the Commission submits the accruals to GSA/USDA, and conducting recurring subsequent payments testing. Full implementation will occur by September 30, 2024.
- 3) Updating the FOIA Reference Guide to reflect changes in the FOIA response framework. Full implementation will occur by May 31, 2024.

For management's complete response, see Appendix II.

APPENDIX IV – LIST OF ACRONYMS

Acronym	Description
CABS	Commission and Boards Services
CIR	Collections Information Repository
DATA Act	Digital Accountability and Transparency Act
EO	Executive Order
eOPF	Electronic Office Personnel File
FEHB	Federal Employee Health Benefit
FOIA	Freedom of Information Act
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
HR	Human Resources
IAA	Interagency Agreements
IPAC	Intra-governmental Payment and Collection
JWOD	Javits-Wagner-O'Day
MAX	MAX A-11 Data Entry (MAX) is a computer system used to collect and process most of the information required for preparing the budget.
MSO	Managed Service Office
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMB	Office of Management and Budget
PA	Privacy Act
PAR	Personnel Activity Report
PFS	Pegasus Financial Services
PIV	Personal Identity Verification
SLA	Service Level Agreement
USDA	United States Department of Agriculture