

FRTIB Internal Audit

TESS Contract Management Assessment

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Executive Summary

- FRTIB Internal Audit initiated an engagement to assess contract management practices relating to the Technology and Enterprise Support Services (TESS) contract performed by SAIC, Inc. under Contract No. TIB-2013-C-0012. Work under this cost-reimbursement contract began in 2014 and it is one of FRTIB's largest contracts.
- Under this contract, SAIC provides information technology services in support of FRTIB operations. The following are examples of the types of services provided under the contract:
 - Data center services,
 - Network management services,
 - End user services, and
 - Service desk services.



Executive Summary (continued)

- FRTIB Internal Audit communicated several recommendations in 4 key areas to improve contract management practices:
 1. Contracting Policies Should be Updated;
 2. Inadequate Documentation Regarding the Exercise of Option Period;
 3. Noncompliance with Contract Provision Relating to SSAE No. 16 Report;
 4. Opportunities to Improve Contract Oversight Practices Exist.
- Management concurred with the recommendations, and agreed to take corrective action.



I. Contracting Policies Should be Updated

Issue: We noted that Management's contracting guidance governing the award, administration, and closeout of FRTIB contracts is not current and complete. FRTIB Directive 12A, "Procurement Policy, Guidelines, and Procedures Manual" was last updated more than 15 years ago. Updating contract guidance would assist the acquisition workforce in understanding relevant contracting requirements and help reduce the risk of suboptimal contract outcomes.

Recommendation: We recommend that Management finalize its Contracting Procedures document as soon as possible, ensure that members of the FRTIB acquisition workforce are made aware of the new procedures, and provide appropriate training to members of the acquisition workforce based on their applicable roles and responsibilities.

Planned Corrective Actions: Management agreed to update its policies and procedures, and to provide training on these policies and procedures once issued.



2. Inadequate Documentation Regarding the Exercise of Option Periods

Issue: As part of Modification No. 15 to Contract No. TIB-2013-C-0012, Management exercised Option Period No. 1 of the contract covering the period February 1, 2016, through January 31, 2018. However, the basis for taking this action was not fully or adequately documented. FAR 17.207, Exercise of Options, requires documentation to support the decision to exercise contract option periods. Determining whether it is in the agency's interest to do so should be based a number of factors, including an assessment of contractor performance, price, and other factors.

Recommendation: We recommend that the business rationale for exercising options under the contract be documented consistent with FAR 17.207, Exercise of Options.

Planned Corrective Actions: Management indicated that it will create information on instructing Contracting Officer Representatives (CORs) and other program office personnel on what to include in justifications for exercising options, and will include this information in its planned Contract Administration guide. In addition, Management indicated that it will prepare documentation relating to the decision as to whether to exercise option periods under Contract No. TIB-2013-C-0012.



3. Noncompliance with Contract Provision Relating to SSAE No. 16 Report

Issue: Under the contract, SAIC was required to provide FRTIB with a report that provides assurance regarding controls over SAIC's operations, and those its affiliates and subcontractors, in providing services under the contract. However, we were not able to obtain evidence that such a report was prepared. Such a report would have provided FRTIB with important information as to the effectiveness of internal controls relating to performance under the contract.

Recommendation: We recommend that Management document how this requirement will be addressed under the existing contract, and document the assessment of any audits received in regard to its impact to the FRTIB's control environment.

Planned Corrective Actions: Management prepared contract language to update the understanding of the two contracting parties regarding this requirement. Modification No. 21 to Contract No. TIB-2013-C-0012 contained this new language and it was signed on September 27, 2017. Under this modification, SAIC is to undergo annual Service Organizational Control (SOC) Audit Type 2 audits, performed by an independent CPA firm (the FY 2018 audit need only cover a minimum period of 90 days or more). SAIC is required to share the resulting SOC reports with FRTIB as input to FRTIB's internal control and contract oversight activities.



4. Opportunities to Improve Contract Oversight Practices Exist

Issue: We noted the following:

- a. System Level Requirements (SLR) – The contract’s statement of work references over 100 SLRs (e.g., availability of systems) for use in monitoring contractor performance under the contract. However, fewer than 40 SLRs were being tracked and monitored as part the Program Management Operations Committee (PMOC) meetings. The contract was not updated to formalize the understanding of those SLRs required to be tracked and monitored. Incorporating the specific SLRs being tracked and monitored into the contract would provide greater clarity regarding expectations and assist in better oversight of contract performance.

Recommendation: Management should consider reviewing existing SLRs to ensure that they reflect the scope and breadth of operations under the contract and are appropriately defined, and formally incorporate the agreed-upon SLRs into the contract.

Planned Corrective Actions: Management agreed to update SLRs and incorporate them into the contract.



4. Opportunities to Improve Contract Oversight Practices Exist (continued)

- b. Inspection and Acceptance - Inspection and acceptance provisions of the contract lack clarity and only provide a 10-day window to accept contractor services and deliverables under the contract. As a result, there is the increased potential for risk of accepting services and contract deliverables that may not meet FRTIB requirements.

Recommendation: Management should consider reviewing existing contract language relating to inspection and acceptance of goods and services under the contract and make any necessary changes to that language or underlying practices.

Planned Corrective Actions: Management agreed to seek an extension of the inspection and acceptance period to a period of 30 days, and to update its inspection and acceptance procedures.



4. Opportunities to Improve Contract Oversight Practices Exist (continued)

- c. Contract Oversight Resources - The TESS contract is a large, cost-reimbursement contract, and its structure is complex, involving a variety of services obtained under the contract's "core" services as well as many indefinite delivery/indefinite quantity (IDIQ) task orders. There are inherent risks involved with providing contract oversight of cost-reimbursement contracts, including the risk of not appropriately identifying services and deliverables that do not meet requirements and the risk of not identifying potential billing errors. Effective contract oversight is a key factor in reducing the risk of suboptimal contract outcomes.

Recommendation: Management should supplement the contract oversight activities performed by the Contracting Officers' Representative with the support of integrated project teams staffed with dedicated and knowledgeable subject matter experts.

In addition, Management should consider participating in audits of the contractor's incurred cost submissions, which include direct and indirect costs incurred under the contract, to be performed by the Defense Contract Audit Agency (DCAA).



4. Opportunities to Improve Contract Oversight Practices Exist (continued)

Planned Corrective Actions: Management indicated that it would enhance its contract oversight by establishing an integrated contract oversight team consisting of a primary COR and technical CORs and administrative monitors that will provide subject matter expertise. Technical oversight of contract operations will be divided into five functional areas (cross functional, portfolio management, business application, security and IT operations services), each led by a designated technical COR and supported by technical monitors, as necessary.

In addition, Management indicated that it will coordinate with DCAA to ensure that costs incurred under the contract will be included in DCAA's audit of the contractor's incurred cost submissions.

