



U.S. ENVIRONMENTAL PROTECTION AGENCY

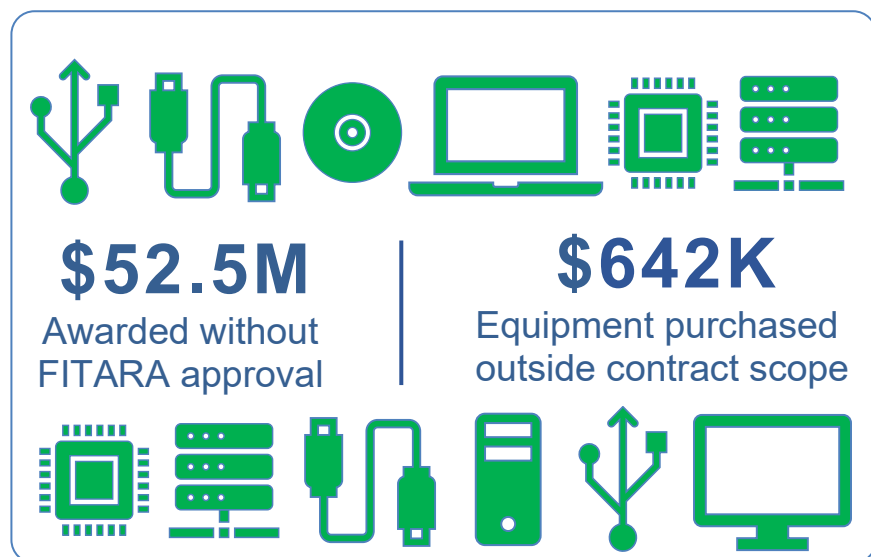
OFFICE OF INSPECTOR GENERAL

***Hotline Report:
Operating efficiently and effectively***

EPA Improperly Awarded and Managed Information Technology Contracts

Report No. 21-P-0094

March 10, 2021



Report Contributors:

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Abbreviations

CICA	Competition in Contracting Act
CIO	Chief Information Officer
CO	Contracting Officer
EPA	U.S. Environmental Protection Agency
EPAAG	EPA Acquisition Guide
FAR	Federal Acquisition Regulation
FITARA	Federal Information Technology Acquisition Reform Act
IT	Information Technology
OAS	Office of Acquisition Solutions
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
OMS	Office of Mission Support
OTS	Office of Technology Solutions
Pub. L.	Public Law
U.S.C.	United States Code

Cover Image: The EPA spent \$52.5 million in taxpayer dollars without the proper approvals required under the Federal Information Technology Acquisition Reform Act and purchased \$641,680 of equipment under an expiring contract.
(EPA OIG image)

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At a Glance

Why We Did This Audit

The U.S. Environmental Protection Agency's Office of Inspector General conducted this audit in response to a hotline complaint regarding contract and bidding irregularities with three major information technology contracts. The purpose of this audit was to determine whether (1) equipment purchased under EPA contract EP-W-07-024 was properly purchased under the contract and transferred to current contracts in accordance with Federal Acquisition Regulation requirements and (2) EPA contracts EP-W-18-007 and EP-W-18-008 were properly awarded in accordance with Federal Acquisition Regulation competition requirements.

The Office of the Chief Financial Officer plans, sets standards, and develops and deploys financial and resources management systems. The Office of Mission Support plans, awards, and administers contracts.

This audit addresses the following:

- *Operating efficiently and effectively.*
- *Compliance with the law.*

This audit addresses a top EPA [management challenge](#):

- *Complying with key internal control requirements (policies and procedures).*

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EPA Improperly Awarded and Managed Information Technology Contracts

What We Found

In violation of Federal Acquisition Regulation requirements and contract clauses, the EPA purchased 23 pieces of hardware and software equipment under an expiring information technology contract awarded to CGI Federal. This purchase was outside the scope of the contract and was ultimately never used for that contract. The EPA then improperly solicited bids for one of two subsequent contracts and transferred the equipment to use on the new contract. By approving the purchase, the EPA improperly spent \$641,680 in federal funds.

The Agency needs to improve its oversight of long-standing contractors, like CGI Federal, to improve operations and be a better steward of taxpayer dollars.

We also found that the EPA issued task orders under all three contracts without approval from the chief information officer, which is required under the Federal Information Technology Acquisition Reform Act. This resulted in the EPA spending \$52.5 million in taxpayer funds without proper approvals.

The Agency also mismanaged these contracts with respect to monitoring property and licenses. For example, the EPA underreported and incorrectly identified purchased equipment in the Agency's property reporting system and did not record \$1.18 million in software licenses in the Agency's asset management system.

Recommendations and Planned Agency Corrective Actions

We make ten recommendations in this report, including that the chief financial officer recover the \$641,680 of unallowable equipment purchased under the expired contract and document split-funding approvals. We also recommend that the assistant administrator for Mission Support determine whether to terminate the improperly awarded subsequent contract and rebid a new contract, institute controls to prevent improper spending, and verify all information technology contracts are approved by the chief information officer. Further, we recommend that the assistant administrator for Mission Support tighten control regarding compliance with the Federal Information Technology Acquisition Reform Act.

The EPA agreed with all ten recommendations and provided acceptable corrective action plans or completed corrective actions. The Agency completed eight of our recommendations, and two recommendations are resolved with corrective actions pending. We also revised our report where appropriate based on technical comments provided by the Agency.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

THE INSPECTOR GENERAL

March 10, 2021

MEMORANDUM

SUBJECT: EPA Improperly Awarded and Managed Information Technology Contracts
Report No. 21-P-0094

FROM: Sean W. O'Donnell

A handwritten signature in blue ink that reads "Sean W O'Donnell".

TO: Donna Vizian, Acting Assistant Administrator
Office of Mission Support

David Bloom, Acting Chief Financial Officer

This is our report on the subject audit conducted by the Office of Inspector General of the U.S. Environmental Protection Agency. The project number for this audit was [OA&E-FY19-0035](#). This report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. Final determinations on matters in this report will be made by EPA managers in accordance with established audit resolution procedures.

The Office of Mission Support and the Office of the Chief Financial Officer are responsible for the issues discussed in this report.

We issued ten recommendations in this report. The Office of Mission Support completed corrective actions or provided acceptable planned corrective actions for seven recommendations, and the Office of the Chief Financial Officer completed corrective actions for three recommendations. In accordance with EPA Manual 2750, all recommendations are completed or resolved with corrective actions pending. No further response is required. However, if you submit a response, it will be posted on the OIG's website, along with our memorandum commenting on your response. Your response should be provided as an Adobe PDF file that complies with the accessibility requirements of Section 508 of the Rehabilitation Act of 1973, as amended. The final response should not contain data that you do not want to be released to the public; if your response contains such data, you should identify the data for redaction or removal along with corresponding justification.

We will post this report to our website at www.epa.gov/oig.

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Chapter 1

Introduction

Purpose

In August 2018, the U.S. Environmental Protection Agency’s Office of Inspector General received a hotline complaint regarding contract and bidding irregularities with three information technology contracts that were awarded to CGI Federal. We audited the initial contract and two subsequent contracts to determine whether:

Top Management Challenge

This audit addresses the following top management challenge for the Agency, as identified in OIG Report No. [20-N-0231](#), *EPA’s FYs 2020–2021 Top Management Challenges*, issued July 21, 2020:

- Complying with key internal control requirements (policies and procedures).

1. Equipment purchased under EPA contract EP-W-07-024 was properly purchased under the contract and transferred to current contracts in accordance with Federal Acquisition Regulation requirements.
2. EPA contracts EP-W-18-007 and EP-W-18-008 were properly awarded in accordance with Federal Acquisition Regulation competition requirements.

Background

CGI Federal, an IT software company, created Compass, a web-based application that the EPA uses as its financial system. Compass handles core budget execution, accounting functions and processes transactions for the Agency. Compass also posts updates to ledgers and tables as transactions are processed and generates source data for the preparation of Agency financial statements and budgetary reports. CGI Federal staff and contractors manage Compass at CGI Federal’s data center in Phoenix, Arizona.

In 2007, the Office of the Chief Financial Officer, known as the OCFO, began a financial system modernization project to improve the EPA’s ability to perform core financial management functions and to increase the integration between the EPA’s financial systems. As part of this project to modernize and increase systems integration, the EPA awarded a ten-year, \$83-million time-and-materials service contract, EP-W-07-024, to CGI Federal on February 12, 2007. The contract scope included providing access to and support for all components of Compass—hosting, licensing, operations, maintenance, and related support

services. In 2017, the EPA extended the contract by one year because the Agency delayed the selection process for the subsequent contracts needed to continue the project. Therefore, by the end of this contract, the total cost was almost \$100 million over an 11-year period.

The Agency started the bidding process for the subsequent contract in 2015. The Agency decided to separate the follow-on procurement into two separate contracts. The EPA awarded the first contract, EP-W-18-007, to CGI Federal on December 31, 2017. This was a sole-source award—meaning without full and open competition—for licensing, operations, maintenance, and related support services for Compass for seven years with the maximum potential value of \$28.5 million. The EPA awarded the second contract, EP-W-18-008, to CGI Federal on January 1, 2018. This was a competed award for hosting and support services, covering the same seven years as EP-W-18-007. This contract’s maximum potential cost was \$18.0 million. Below are the expenditures for each contract as of October 6, 2020 (Table 1).

Table 1: CGI Federal contract costs

Description	Initial contract	Split follow-on contracts	
Contract Number	EP-W-07-024	EP-W-18-007	EP-W-18-008
Time period	2007–2018	2018–2024	2018–2024
Original contract	\$83,108,405.36	\$28,542,224.65	\$18,045,376.16
Cost	\$99,947,185.82	\$14,530,815.51	\$6,566,805.51

Source: OIG analysis. (EPA OIG table)

Responsible Offices

The OCFO manages the EPA’s annual budget and provides financial services for the EPA. Within the OCFO, the Office of Technology Solutions, known as the OTS, is responsible for IT planning, development, and deployment of financial and resource management systems for the EPA. This includes technology investment planning, budgeting, and resource allocation for financial systems and policies to support the EPA’s environmental mission.

In 2019, the EPA combined the Office of Administration and Resources Management and the Office of Environmental Information to form the Office of Mission Support, known as the OMS. Within the OMS, the Office of Acquisition Solutions, known as the OAS, is responsible for planning, awarding, and administering contracts for the EPA, which includes issuing and interpreting acquisition regulations, administering training for contracting and program acquisition personnel, providing advice and oversight to regional procurement offices, and providing IT improvements for acquisition.

Scope and Methodology

We conducted this performance audit from November 2018 to July 2020 in accordance with generally accepted government auditing standards issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To answer the audit objective related to contract EP-W-07-024, we reviewed OAS contracts, modifications, correspondence, and Performance of Work Statements. We compared the purchasing process for the equipment with the procedures described in the *EPA Personal Property Manual*, dated June 2017. We interviewed contracting officers and representatives, as well as OTS management and staff. We reviewed inventory records of equipment purchased under the contract. We also visited the CGI Federal data center in Phoenix to interview the company's staff and observe EPA equipment at the data center.

To answer the audit objective related to contracts EP-W-18-007 and EP-W-18-008, we reviewed federal contract laws and regulations and related EPA policies and procedures. We also reviewed solicitations, bids, proposals, contract awards, modifications, and expenditures.

Prior Audits

In OIG Report No. [13-P-0220](#), *Review of Hotline Complaint on EPA's Pre-Award Activities for Multiple Award Contracts at the National Computer Center*, issued April 15, 2013, the OIG determined that the EPA could improve communications with vendors during preaward activities. The OIG found instances where there were opportunities to improve communication with vendors that could help thwart misunderstandings and confusion related to the federal acquisition process. The EPA agreed with our recommendation and developed a written vendor protocol to be used during preaward activities.

In OIG Report No. [17-P-0380](#), *EPA's Alternative Dispute Resolution and Public Involvement Contract Needs Better Management*, issued September 12, 2017, the OIG determined that the contract terms for EP-W-14-020 did not comply with federal and EPA regulations and found some contract deliverables did not comply with contract requirements. Specifically, several contract terms were outdated, contradictory, or incomplete. In addition, contract-required clauses, reports, and invoices were missing required contract information. The OIG also found that contract management did not comply with requirements. For example, the CO did not perform invoice reviews in a timely manner as required by EPA guidance. The EPA agreed with our recommendations and revised the contract's terms,

deliverables, management, oversight, and internal controls. According to the Agency, it implemented all corrective actions.

In OIG Report No. [18-P-0038](#), *Improved Acquisition Planning Will Help EPA Reduce Hundreds of Millions of Dollars in High-Risk Contracts*, issued November 15, 2017, we found that the EPA's use of high-risk contracts could be reduced if the Agency implemented additional internal controls to strengthen and improve its acquisition planning process. The report also found that the EPA allowed sole-source contracts even when there was adequate time to plan and conduct a competitive award process. The EPA agreed with our recommendations. According to the Agency, it implemented all corrective actions and updated policies to reduce the award of high-risk contracts.

Chapter 2

EPA Did Not Properly Purchase Equipment under EP-W-07-024

An EPA CO authorized purchasing \$641,680 worth of equipment under contract EP-W-07-024, awarded to CGI Federal, two days before the contract closed. The EPA purchased the equipment outside of the scope of the contract, without proper IT approvals, and never used it for work on this contract. Instead, the EPA transferred the equipment to a new contract, EP-W-18-008, also awarded to CGI Federal, that originally did not allow for government-furnished property. The CO misunderstood the clause in the expiring contract and said that she purchased the equipment because the contract clause for the expiring contract allowed. The CO failed to adhere to the Federal Acquisition Regulation, known as FAR, provisions that the contract costs are allocable to the contract and failed to adhere to the contract equipment purchase clauses in EP-W-07-024. By purchasing this equipment, the EPA improperly spent \$641,680 in federal funds.

EPA Purchased Equipment Outside Contract Scope

COs are bound by purchase regulations outlined in FAR 31.201-4, which states that a cost is allocable to a contract if it is incurred specifically for the contract. FAR 1.602-2 states that “contracting officers are responsible for...ensuring compliance with the terms of the contract and safeguarding the interests of the United States in its contractual relationships.”

In April 2018, a CO authorized the purchase of \$641,680 of equipment under EP-W-07-024. The CO authorized this purchase two days before the contract expired. The CO and the CO’s management justified the equipment purchase because the “contract contemplated the purchase under the *scope* and *government-furnished property* clauses” of the contract, which states:

The Government will provide the following item(s) of Government property to the contractor for use in the performance of **this** contract. (Emphasis added.)

The CO purchased the equipment at the end of the EP-W-07-024 contract performance period and ultimately used the equipment for another contract, not for EP-W-07-024, as required by the contract clause above. Further, while the above clause allowed for the possibility of the EPA providing the contractor with government equipment for use during the contract, the clause was never amended to specifically list what government-furnished property the EPA would provide for use during the performance period of the contract, as required.

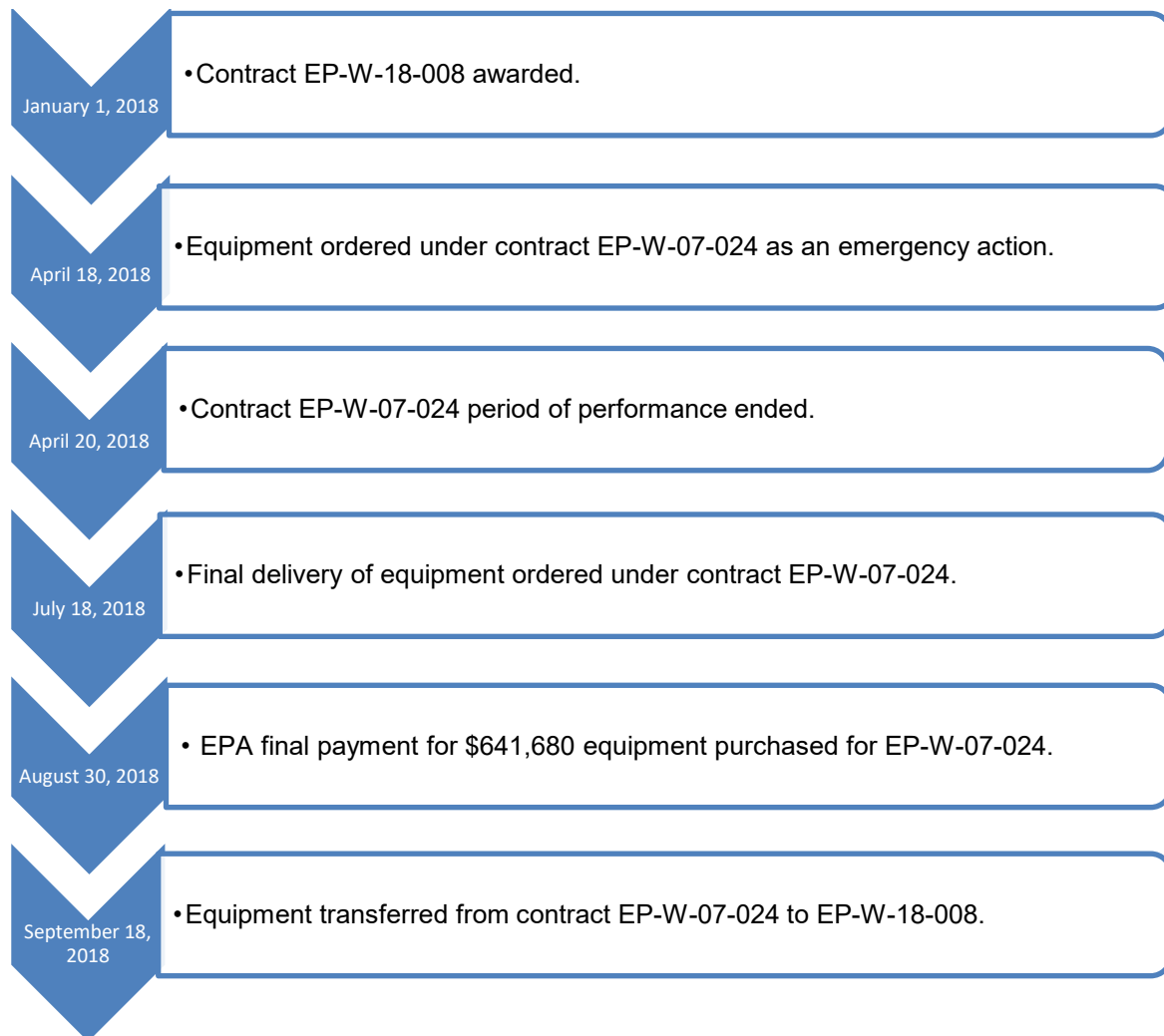
The OCFO requested an emergency action in the EPA's contract system to purchase and transfer the equipment. We found that the OCFO fully intended to use the equipment purchased under EP-W-07-024 on the new contract. The CO and OCFO management stated that they used an emergency action because the EPA's contract system was unavailable to make modifications to the new contract, so they modified the expiring contract. In an April 17, 2018 email requesting the equipment, the CO stated:

OCFO is requesting this new task be procured as an emergency action under the old contract to purchase equipment that will be transitioned to the hosting [008] contract.

The Agency cannot use emergency actions to circumvent contract clauses and the FAR. The contract clause on the expiring contract specifically stated that equipment must be used for the contract under which it was provided, and there was no authorized equipment listed under this clause.

As shown in Figure 1, in September 2018, five months after the expiring contract ended, the CO transferred the equipment from EP-W-07-024 to EP-W-18-008 (Appendix A). Although the original terms of EP-W-18-008 did not provide for government-furnished property, EP-W-18-008 was subsequently modified to allow for government-furnished property.

Figure 1: Contract award and equipment purchase timeline during fiscal year 2018



Source: OIG analysis. (EPA OIG image)

CO Did Not Request Required Approvals for Equipment Purchase

The National Defense Authorization Act for Fiscal Year 2015, which includes Subtitle D—Federal Information Technology Acquisition Reform Act, gives the chief information officer approval authority over IT purchases. Enacted on December 19, 2014, FITARA states that federal agencies may not enter into a contract or other agreement for IT or IT services unless the Agency’s CIO reviews and approves the contract or agreement. FITARA further provides that agency CIOs should assist the Office of Management and Budget in identifying duplication and waste and identifying cost savings with respect to IT acquisition. In this case, the EPA’s CIO was unaware of the CO’s purchase of the equipment, so the CIO did not have the opportunity to review inventory for spares, duplicates, and compatible equipment.

The CO did not request or receive CIO approval for the equipment purchase. The CO told us that the CIO was not required to give FITARA approval for the purchase of the equipment because EP-W-07-024 was awarded before FITARA's effective date. FITARA, however, applies to any contract agreement (including task order modifications) signed after April 2016. While EPA awarded the contract in 2007, the Agency purchased the equipment in August 2018; therefore, FITARA approvals were required. We discuss the impacts of FITARA on this contract and the follow-on contracts in Chapter 4.

OCFO Did Not Follow Approval Process for Split-Funded Purchases

The OCFO Resource Management Directives System 2520, *EPA Financial Resources and Operating Guide Administrative Control of Appropriated and Other Funds*, dated December 2015, states that the OCFO should approve allocation methods when more than one appropriation is used as a funding source on a procurement. This directive states that the OCFO should approve the allocation rationale before the Agency awards the contract or task order. The directive also says that the OCFO must approve the CO's rationale for allocating costs among appropriations so that voucher payments can be processed accurately. The COs must send the split-funding documentation rationale to OCFO management for approval and maintain the documentation in the overall contract file.

When purchasing the \$641,680 in equipment for EP-W-07-024, the CO used a different appropriation than the one used for the remainder of the contract. We requested the written rationale along with the OCFO approval for the split-funded purchase of the equipment for CGI Federal, but the CO could not locate the documents. We then contacted the OCFO and requested its split-funding approval of the equipment from CGI Federal under EP-W-07-024; OCFO management was unable to produce that document as well.

EPA Lacks Internal Controls to Verify Documentation of Appropriate Approvals for IT Equipment Purchases

The U.S. Government Accountability Office sets internal control standards for federal entities in GAO-14-704G, *Standards for Internal Control in the Federal Government* (also known as the "Green Book"), issued September 10, 2014. An entity uses the Green Book to design, implement, and operate internal controls to achieve its objectives related to operations, reporting, and compliance. The Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, requires federal managers to implement the Green Book's internal control standards.

The OAS and the OCFO lacked internal controls to verify documentation of appropriate approvals for IT purchases, which are essential for reducing errors or fraud. The OCFO Resource Management Directive System 2520 states that the

chief financial officer must approve using funds on split funding purchases. While Agency staff indicated that the chief financial officer approved the purchase, the OCFO said the approval document was misplaced after the approval went through. Without the required approval documentation, the EPA cannot support its decision to spend \$641,680 in equipment—the Agency could have put those funds to better use.

During our audit, the OCFO acknowledged that it needs to strengthen internal controls for maintaining required approvals and related documentation. In July 2019, after the OCFO's own review of 28 contract files found that all files had approval documents missing, the OCFO sent a policy reminder to Agency contract and program staff to properly maintain approval documents.

Conclusion

Internal controls over the contract funding operations are essential to the confidentiality, integrity, and availability of critical data while reducing the risk of errors, fraud, and other illegal acts. The OAS and the OCFO lack internal controls to monitor and maintain approval documents. By not following the required approval process, the EPA improperly spent \$641,680 in federal funds. The Agency needs to improve controls over equipment purchases to prevent the errors we identified during our audit and provide reasonable assurance that the Agency spends taxpayer dollars in accordance with federal regulations and puts them to the best use.

Recommendations

We recommend that the assistant administrator for Mission Support:

1. Reinforce Federal Acquisition Regulation and contract clause requirements, via policy updates and training, with contract management and staff.
2. Reinforce internal controls in the EPA Acquisition System to prevent future spending on information technology without the proper Federal Information Technology Acquisition Reform Act approval.

We recommend that the chief financial officer:

3. Reinforce current EPA policy to require management to document authorization of split-funding approvals.
4. Recover the \$641,680 of unallowable equipment purchased.

Agency Response and OIG Assessment

The Agency agreed with our recommendations and took the following actions:

- For Recommendation 1, the OMS established acquisition training courses and issued flash notices, which are short policy reminders sent through email, highlighting the importance of following FITARA.
- For Recommendation 2, the OMS tightened controls in the EPA Acquisition System to include FITARA approval.
- For Recommendation 3, the OCFO updated Resource Management Directive System 2520-04 to enhance financial and record management for multiple appropriation funding approvals and provided several Agency notifications and training opportunities.
- For Recommendation 4, the OMS moved the \$641,680 of equipment to the EPA's National Computer Center. Most of the equipment is not in use but will be made available for other EPA programs.

We verified that the Agency completed the four recommendations. The Agency's full response to the draft report is in Appendix C.

Chapter 3

EPA Improperly Awarded Contract EP-W-18-008

The EPA provided government-furnished equipment for EP-W-18-008, even though the EPA did not disclose that it would provide equipment in the contract solicitation. Federal law requires that agencies use a full and open competition process when procuring property or services. FAR 45.201(a) requires agencies to include anticipated government-furnished property in the solicitation. The EPA contracting staff stated that, during the solicitation phase, the Agency did not initially anticipate the need for equipment and did not include a provision for government-furnished equipment in the solicitation. Ultimately, the EPA's choice to provide equipment for EP-W-18-008 may have led to an unfair competition practice.

Federal Law Requires Full and Open Competition When Awarding Government Contracts

The Competition in Contracting Act, 41 U.S.C. § 3301, and FAR 6.101 require that agencies ensure full and open competition when awarding contracts. EPA Acquisition Regulation 37.102 also provides that service contracts are to be obtained "without barriers to full and open competition." The EPA writes contract statements of work with clear requirements to facilitate maximum competition. If the EPA determines that it gave any contractor a competitive advantage, the Agency may choose to rebid the contract to deter future misconduct by those who are involved in the award, performance, and administration of government contracts.

The Agency should not use contract modifications to avoid CICA's full and open competition requirement. The FAR broadly permits an agency to terminate a contract for convenience, which would allow an agency to rebid the contract to achieve the full and open competition objectives of CICA and the FAR.

EPA Asserted During Contract Solicitation It Would Not Provide Any Equipment

FAR 45.201(a) requires agencies to list the government-furnished property to be offered in the solicitation, if applicable. EP-W-18-008's Performance of Work Statement in the solicitation did not include government-furnished equipment. During the solicitation, bidders asked if the EPA would provide equipment for the contract and the Agency answered that it would not provide equipment, other than software licenses. Table 2 lists several of the questions that bidders asked regarding EP-W-18-008.

Table 2: Hardware, software, and license questions from January 2017 regarding EP-W-18-008

	Bidder question	OAS answer
1	Based on the [Performance of Work Statements], it's unclear the software that shall be provided by the contractor as part of hosting and operations.	The government will only provide momentum licensing.
2	Will the government provide a list of [government-furnished equipment] hardware and software and a bill of materials for the existing environment that will be transitioned by either the incumbent or by EPA?	[The] government does not provide any other hardware or software other than Momentum licenses.
3	Will the EPA provide requisite licensing for the suite of applications and Oracle databases to be hosted by the offeror, or is the offeror required to provide all product licenses?	This is not [government-furnished equipment].
4	Can the government provide the quantity of each software component required for each software product listed in the Compass Software Versions.xls to aid in developing a cost-effective hosting solution that meets the requirements of the solicitation?	[The] government does not provide any other hardware or software other than momentum licenses.
5	Can the government provide the quantity and versions of Oracle licenses required to support the Compass Hosting? The government previously stated that Oracle 11g and 12c are being used, but the software the government is providing only lists Oracle 12c.	The government does not provide any other hardware or software other than momentum licenses.

Source: OIG analysis. (EPA OIG table)

While the OTS said that the bidders had to buy all the equipment for the contract, the Agency nonetheless provided the equipment for CGI Federal after it won the contract.

In March 2018, two months after the Agency awarded EP-W-18-008, the EPA determined that the contract needed equipment. At the direction of the OTS, the CO requested that CGI Federal provide a justification for acquiring the equipment under the new contract. The EPA had to justify the purchase of the equipment because the new contract did not include the equipment in the statement of work. CGI Federal's project manager provided a written justification stating "that [additional] hardware/software was needed to support EPA's private cloud at [CGI's] Phoenix Data Center." On September 18, 2018, over nine months after the award was given, the EPA modified contract EP-W-18-008 and added the clause allowing government-furnished property.

EPA and CGI Federal created the justification so that the Agency could purchase the initially unauthorized equipment. If bidders were aware that they could access government-furnished equipment with the required upgraded software during the solicitation phase, the bidders could have developed different proposals and the outcome of the contract award could have been different. The Agency did not

meet the full and open competition requirement of CICA because bidders were not aware that government-furnished property would be available for the contract.

Conclusion

The EPA provided government-furnished equipment for EP-W-18-008 but did not disclose that government-furnished equipment would be provided to bidders during the contract solicitation. The Agency's choice to provide equipment after awarding the contract led to an unfair competitive advantage for CGI Federal. The Agency must commit to adhering to federal contract competition laws as this is crucial to ensuring fair and open competition for bidders seeking contracts with the federal government.

Recommendation

We recommend that the assistant administrator for Mission Support:

5. Determine whether contract EP-W-18-008 should be terminated and rebid to comply with the full and open competition requirement of the Competition in Contracting Act and to disclose that the EPA will provide government-furnished equipment.

Agency Response and OIG Assessment

For Recommendation 5, the OMS and the OCFO jointly evaluated the possibility of terminating EP-W-18-008 and concluded that termination was not in the best interest of the Agency. The Agency completed this corrective action in July 2020 and provided us with acceptable analysis of its determination. Therefore, we consider the recommendation completed. The Agency's full response to the draft report is in Appendix C.

Although the Agency contends in its response that there was full and open competition, the OIG maintains its position that the EPA did not award the contract in compliance with CICA's full and fair competition requirements. The EPA not listing that it would provide government-furnished property to the awardee is considered concealing information from bidders and could have changed the outcome of the competition.

Chapter 4

EPA Did Not Obtain Required FITARA Approval for Task Orders and Contracts

The EPA awarded \$52.5 million for these three contracts without federally required approval from the CIO. As stated previously, the EPA issued task orders under contract EP-W-07-024 and awarded the two subsequent contracts, EP-W-18-007 and EP-W-18-008, for IT services and equipment license purchases. FITARA gives the CIO approval authority over IT purchases. The CO told us, incorrectly, that the CIO was not required to provide FITARA approval for the previous contract's relevant modifications nor the follow-on contracts. As a result of not obtaining FITARA approval, the CIO was not informed of the \$52 million purchase and was unable to review price competitions and cost reductions.

Federal Law and EPA Policy Require Approvals for IT Contracts and Acquisitions

According to FITARA, agencies may not enter into a contract or other agreement for IT or IT services greater than \$1 million unless the agency's CIO has reviewed and approved the contract or agreement. According to the Office of Management and Budget, starting April 30, 2016, and every April after, federal agencies are to conduct annual reviews and self-assessments on FITARA implementation.

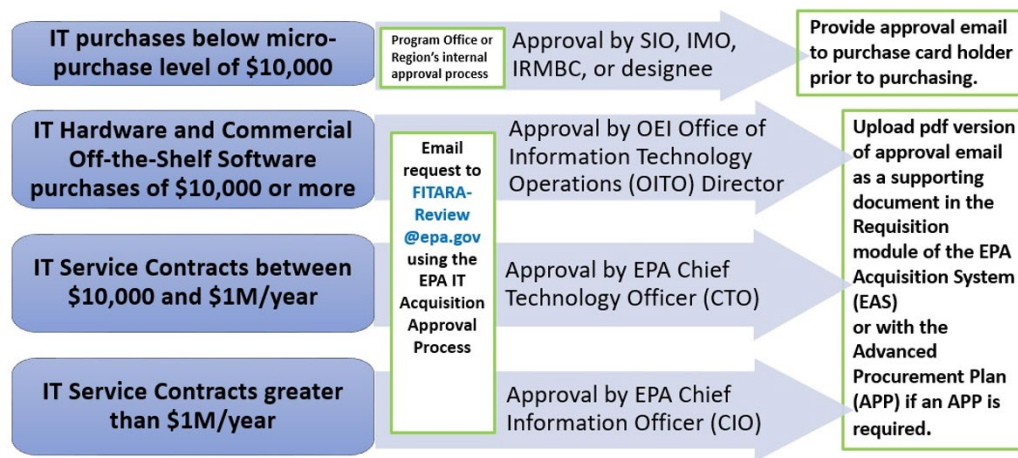
The *EPA Acquisition Guide*, known as EPAAG, Chapter 39, "Acquisition of Information Technology," Section 39.1, "General," which applies to all contracts and task orders that include the acquisition of IT hardware, software, and services, says that:

Contracting Officers are responsible for verifying that a complete procurement package has been submitted.... No solicitation may be issued until the appropriate IT purchase approval has been received by the contracting official. If an IT purchase approval document has not been received, the program office must be contacted immediately to obtain a copy of the approval.

The EPA chief technology officer, who currently is the CIO, must approve IT service contracts that are between the micropurchase threshold and \$1 million per year. The EPAAG also states that the director or deputy director of the OMS's Office of Information Technology Operations is required to approve over threshold IT equipment purchases. In addition, the director must approve IT

hardware and commercial off-the-shelf software purchases over the micropurchase threshold (Figure 2).

Figure 2: EPA acquisition approval process



Source: EPA SharePoint IT acquisition approval graphic. (EPA OIG adaption of EPA graphic)

The 2015 OAS *Invoice Review and Approval Desk Guide* describes how COs should review contract invoices, which would include any invoices associated with contract modifications. The *Desk Guide* includes checklists to perform an adequate review. Accordingly, employees must (1) review contract invoices thoroughly, (2) process invoices in a timely manner, and (3) maintain records of their invoice reviews and actions taken as a result of the reviews.

In August 2016, the Agency issued an interim policy regarding IT approvals and, in April 2018, finalized FITARA approval procedures in the EPAAG. Under the EPAAG’s Section 39.1, COs may not issue contract solicitations unless they have received appropriate IT purchase approvals, which include FITARA approvals. Despite these changes in policy and regulation, the OAS never updated the *Desk Guide* after FITARA was enacted. The *Desk Guide* remains silent on FITARA approvals.

Task Orders Awarded Without FITARA Approval

The CO told us, incorrectly, that the CIO was not required to provide FITARA approval for actions under contract EP-W-07-024 because the contract was awarded before FITARA took effect. While FITARA did not exist when the EPA awarded new modifications for the contract that were over the FITARA thresholds, as of April 2016, these types of modifications were subject to FITARA approval. The EPA issued nine modifications without FITARA approval. These modifications amounted to over \$5.9 million (Appendix B).

On September 26, 2019, as a result of our audit, OAS management issued to staff a *News Flash Notice* reminder that IT acquisitions must be approved in accordance with EPAAG Section 39.1 before awarding any contract, task order,

delivery order, purchase order, purchase card transaction, and interagency acquisition at any dollar value.

When the OIG team questioned the CO about the lack of approval under EPAAG requirements, the CO stated that after reading the FITARA policy, the EPA should have obtained FITARA approval on the original contract's modifications and the award of the follow-on contracts.

Contracts Awarded Without FITARA Approval

The EPA did not follow FITARA contract approval requirements when awarding contracts EP-W-18-007 and EP-W-18-008, which were valued at \$46.6 million. In the acquisition planning stage for these two contracts, the CIO conducted an initial review using FITARA policies before the law was effective. The CIO instructed OTS management and the OAS on the requirements for conducting a FITARA review once the law was effective. Specifically, the CIO instructed the two offices to:

- Meet with the chief technology officer prior releasing the procurement package to determine strategies to increase competition and reduce cost.
- Report back to the CIO on the results of those discussions prior to releasing the procurement package.

When we asked if the CIO's instructions were followed after FITARA was effective, the CO said that only the CIO's initial review was conducted. The CO, the OTS, and the OAS did not follow the CIO's specific instructions to meet with the chief technology officer, report back to the CIO, and perform a full FITARA review before the contracts were awarded in fiscal year 2018. The CO should not have awarded EP-W-18-007 and EP-W-18-008 without conducting the FITARA review. As a result, the CIO was unaware of the hardware and software purchase made by the Agency, and the CIO was unable to provide price competitions and cost reductions.

Conclusion

FITARA requires federal agencies to identify waste and cost savings with respect to IT acquisitions. The CIO was unaware of significant acquisitions made by the Agency and was unable to appropriately review price competitions, cost reductions, and duplicate equipment. As a result, the EPA spent \$52.5 million in taxpayer dollars without the CIO's oversight.

Recommendations

We recommend that the assistant administrator for Mission Support:

6. Review all active contracts for acquisitions of information technology hardware, software, and services in fiscal year 2016 and later to determine whether the required Federal Information Technology Acquisition Reform Act approvals were obtained and, if not, to obtain the appropriate reviews and approvals. Identify cost findings in the process from hardware and software purchases that were either duplicates or unnecessary.
7. Require contracting officers to maintain records of all approvals by the chief information officer, including those under the Federal Information Technology Acquisition Reform Act, in accordance with the EPA Acquisition Information Technology approval process.

Agency Response and OIG Assessment

The Agency agreed with Recommendation 6. The OMS will review all active IT contracts to verify FITARA approval. The OMS said that this corrective action will be completed by March 15, 2021. We consider this recommendation resolved with corrective action pending.

In our draft report, we recommended that the Agency update the *Invoice Review and Approval Desk Guide* to include FITARA reviews. In response to Recommendation 2, the Agency agreed to implement internal controls in the EPA Acquisition System to prevent improper spending in the future. With these additional controls, the *Desk Guide* no longer needs to be updated for FITARA actions. The OMS completed this on July 24, 2020. Therefore, we removed this recommendation.

The Agency agreed with Recommendation 7, and the EPA Acquisition System and the Simplified Acquisition Purchase checklists were updated to include FITARA approval emails. In addition, EPAAG, Chapter 7, “Acquisition Planning,” Section 7.1.1.5.6, “Procurement Package,” states that COs are responsible for verifying that an approval to purchase IT equipment is included in the Advanced Procurement Plan. The OMS said that this corrective action was completed in August 2020. We consider this recommendation completed.

The Agency’s full response to the draft report is in Appendix C.

Chapter 5

EPA Did Not Monitor and Report Equipment as Required

The OTS staff neglected to follow the *EPA Personal Property Manual* to monitor, count, or report the purchased equipment, as required by federal requirements and EPA policies. The EPA property management staff—responsible for the care, use, accountability, and security of government-owned property in EPA areas—said that they were not informed of the purchase under EP-W-07-024 because the CO never reported the equipment in the contract file. The EPA did not report the equipment, 23 pieces of hardware and software, as inventory in its 2018 financial reports. The EPA did not report the equipment until a year-and-a-half after it was purchased and after we requested the property records as part of this audit. In addition, the EPA did not maintain a comprehensive list of software inventory and did not track software licenses, as required by regulation. The EPA underreported at least \$1.18 million in software license costs in its financial statements and inventory records. As a result, the Agency temporarily lost track of the equipment paid for by taxpayer dollars.

EPA Is Required to Account for Government-Furnished Property

As stated in Chapter 3, EP-W-18-008, through a modification dated September 18, 2018, contained the government-furnished property contract clause as set forth in FAR 52.245-1. Under this clause, the government retains ownership of government-furnished property, and the contractor is responsible for maintaining records of the property on the contract. The contractor is required to provide property-related reports upon the CO's request and periodically perform, record, and disclose physical inventory results. The contractor is also required to input marking identification on government-owned property, such as by stamping or tagging.

The contractor is responsible for all government-furnished property from initial acquisition. EPAAG subsection 45.1.2, "Property Administration," states that it is the responsibility of the EPA property management staff to obtain annual physical inventory reports of contractor-held government property. The EPAAG states that the annual summary is due on September 30 of each year and upon contract termination or expiration. The OCFO uses the information contained in the annual summary to provide information for the Agency's financial statement. In addition, Environmental Protection Agency Acquisition Regulation 1552.245-70 states that if such a provision is included in a contract, the contractor is required to submit an annual property report to the Agency.

The *EPA Personal Property Manual* requires the contractor to maintain an accurate and complete accountability of all government-furnished property in

accordance with the terms of the contract. The contractor should also conduct an annual physical inventory and report the results to the EPA at the end of each fiscal year.

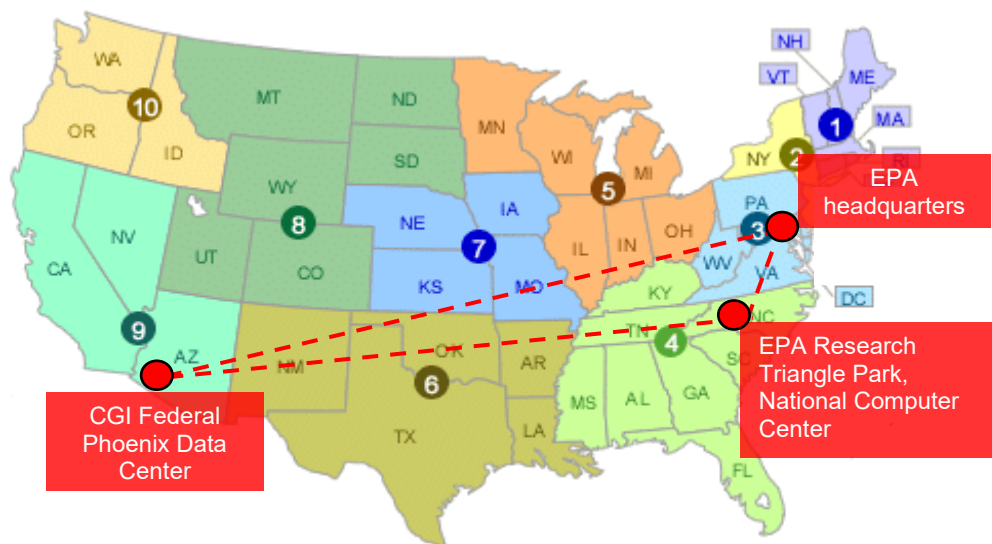
The *Property Manual* also requires the EPA to maintain a complete inventory record that includes the dates assets were put into service, serial numbers, invoice values, and decals. It also states that it is the responsibility of the EPA property management staff to:

- Verify that assets received match the assets recorded on the delivery document and assets purchased.
- Ensure assets are tagged with a decal to identify them as government property.
- Record property in the EPA’s property management system.
- Ensure annual fiscal year inventories are established and implemented.
- Verify that the property custodial officers have current records.
- Confirm that proper EPA property tags are affixed to accountable EPA personal property.

EPA and CGI Federal Did Not Report and Account for Government Property Appropriately

The equipment located in the CGI Federal’s Phoenix data center is government-furnished property. The EPA-held property is normally located in Washington, D.C., or Research Triangle Park (Figure 3).

Figure 3: Property location map of EPA and CGI Federal facilities



Source: EPA OIG graphic.

As stated in Chapter 2, in April 2018, the EPA purchased \$641,680 in equipment under a modification to EP-W-07-024. When the 23 pieces of equipment arrived

at CGI Federal, neither the EPA nor CGI Federal properly accounted for the equipment. EPA property officers did not tag the equipment as government-furnished property that was in the custody of the contractor despite the government-furnished property clause and regulations that required them to do so. Agency policies and procedures require the property officer to verify that all pieces of inventory were received, counted, tagged, and reported, as well as to reconcile inventory sheets to the physical equipment.

CGI Federal improperly reported the equipment as EPA-held property in its company's database. CGI Federal also did not report the equipment it held on a government-furnished property form or maintain the form in its contract file. When we began this audit, only CGI Federal inventory tags were on the equipment.

Since CGI Federal did not tag the equipment as furnished by the EPA and incorrectly listed the equipment in the EPA property system, the EPA did not report it as government-furnished property in its fiscal year 2018 financial statements. The EPA still did not correct the omission, even after the EPA moved three of the 23 pieces of equipment from CGI Federal's Phoenix location to Research Triangle Park. The CO is responsible for including a copy of the completed property report in the contract file annually.

Purchased Software Licenses Not Inventoried

The Making Electronic Government Accountable by Yielding Tangible Efficiencies Act of 2016, Pub. L. 114-210 dated July 29, 2016, requires the Office of Management and Budget to direct agencies to develop a comprehensive software licensing policy, which shall include establishing a comprehensive inventory of software license agreements, as well as tracking and maintaining software licenses regularly. Lawmakers recognized that there was "considerable waste in software license expenditures and implementation of the [Act would] rectify this to the benefit of American taxpayers."

For EP-W-18-007, the EPA did not establish a comprehensive inventory of purchased software licenses, including the values and dates on when the licenses started or access began. Since awarding the contract on December 31, 2017, the EPA issued five modifications that involved software license purchases, renewals, or software maintenance fees totaling \$1,180,574.64 (Table 3). The EPA has no record of these software licenses as of the end of fiscal year 2019. The OTS did not include this \$1.18 million in software licenses and maintenance fees in the EPA's property system.

Table 3: EP-W-18-007 modifications for software licenses and maintenance fees

Modification	Date	Purpose of modification	Amount
2	4/23/18	Add SAP® software maintenance fees.	\$143,212.77
2	4/23/18	Add Momentum® Performance Budget and Acquisition Software maintenance fees.	72,586.80
7	9/26/18	Purchase additional SAP Business Objects Enterprise Professional Edition and Business Objects Named Users and maintenance fees.	328,879.34
8	10/5/18	Purchase additional Momentum Performance Budget User license fees.	113,883.92
8	10/5/18	Purchase Momentum Performance Budget User License Annual maintenance fees.	18,609.60
9	10/30/18	Incorporate Privileged Access Management Tool Operations and maintenance fees.	201,420.80
9	10/30/18	Incorporate Privilege Access Management, PAM, Tool Implementation and PAM Tool Work Code Builder software fees.	242,106.82
12	2/26/19	Renew existing SAP licenses and purchase additional licenses.	59,874.59
Total			\$1,180,574.64

Source: OIG analysis. (EPA OIG table)

An OTS IT specialist said that the office does not keep an inventory of the licensed software and that the EPA does not have a policy that requires it to do so. Without an accurate list of licenses, software, and maintenance fees, the EPA is not appropriately tracking the software inventory in accordance with the law. This could lead to unnecessary software purchases and wasteful use of funds.

The EPA scored an “F” for software licensing in the House Oversight and Government Reform’s IT Scorecards in four out of four biannual reviews from 2017 through 2019. Agencies receive an “F” if they do not have a comprehensive software inventory.

Conclusion

It is imperative that the federal government is transparent in reporting and tracking IT purchases for key operations. The EPA did not report the \$641,680 equipment as inventory in its 2018 financial statement report and did not maintain a comprehensive list of software inventory and software licenses valued at \$1.18 million. As a result, the Agency underreported expenses paid with taxpayer dollars to Congress and the public.

Recommendations

We recommend that the chief financial officer:

8. Gather EPA property reports from each program and compare the equipment value, serial number, asset tag, and location in the EPA property database or contractor-held property report.

We recommend that the assistant administrator for Mission Support:

9. Require the contracting officer to verify that the location of EPA property discussed in this report is updated in the contract records.
10. Create a software license inventory policy, which will include identifying the number of licenses, license-counts authorized, overall costs of licenses, maintenance fees, and contracts used for each licensed software. Track and report savings produced by software licensing inventory and report the savings as part of the Office of Management and Budget's annual Spend Under Management data.

Agency Response and OIG Assessment

The Agency agreed with our recommendations. For Recommendation 8, the OMS provided us with the EPA's equipment property reports and said that this corrective action was completed in August 2020. We confirmed the equipment inventory is in the National Computer Center with the director of Computer Operations on September 1, 2020. For Recommendation 9, as discussed in Recommendation 4, the OMS moved the \$641,680 of equipment to the EPA's National Computer Center. We verified the equipment in the EPA inventory system and observed the equipment in the Phoenix and Research Triangle Park locations. We consider Recommendations 8 and 9 completed.

For Recommendation 10, the OMS will create a software license inventory policy to track and report savings produced. This corrective action will be completed by December 31, 2022. We consider Recommendation 10 resolved with corrective actions pending.

The Agency's full response to the draft report is in Appendix C.

Status of Recommendations and Potential Monetary Benefits

RECOMMENDATIONS

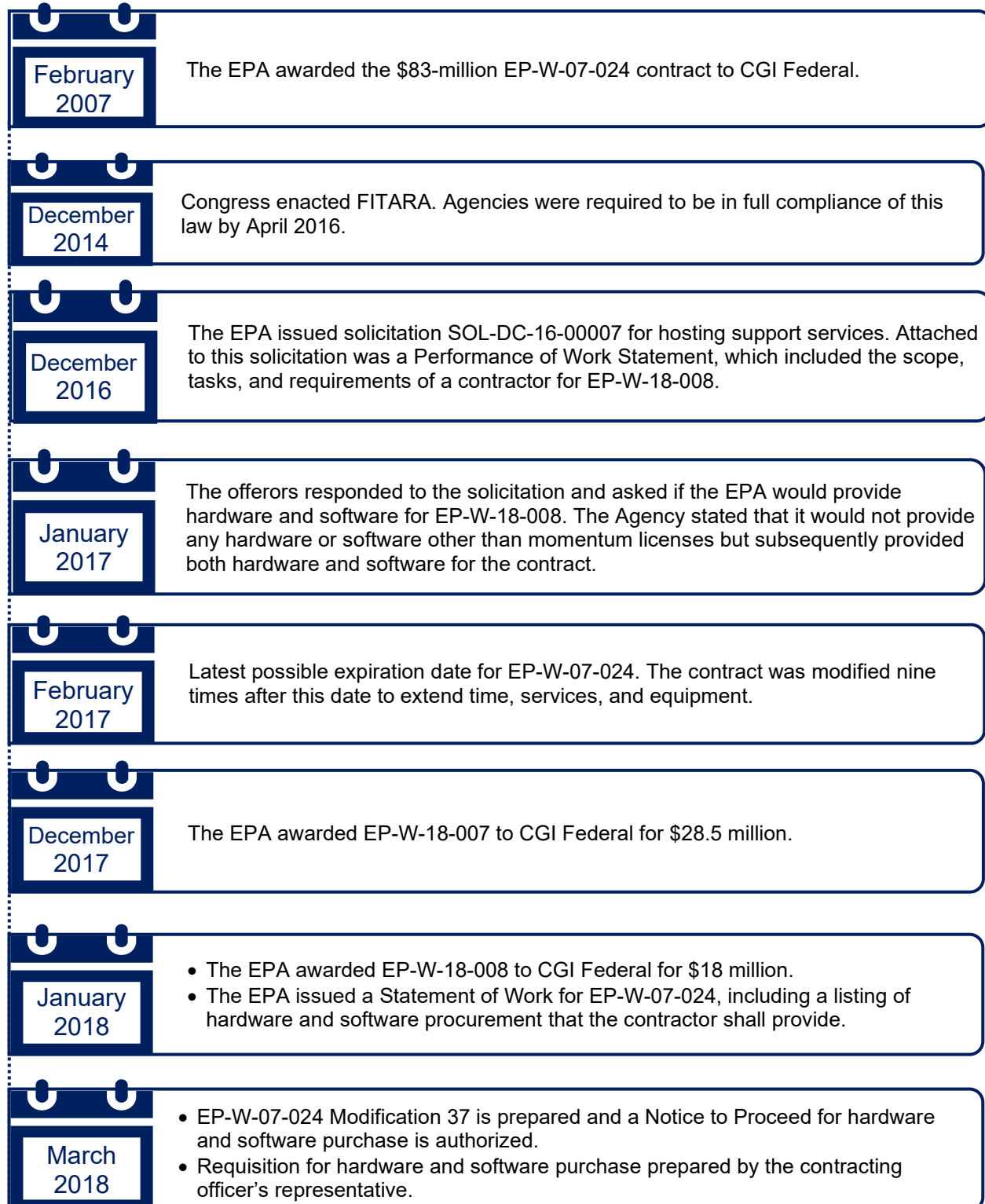
Rec. No.	Page No.	Subject	Status ¹	Action Official	Planned Completion Date	Potential Monetary Benefits (in \$000s)
1	9	Reinforce Federal Acquisition Regulation and contract clause requirements, via policy updates and training, with contract management and staff.	C	Assistant Administrator for Mission Support	9/26/19	
2	9	Reinforce internal controls in the EPA Acquisition System to prevent future spending on information technology without the proper Federal Information Technology Acquisition Reform Act approval.	C	Assistant Administrator for Mission Support	7/24/20	
3	9	Reinforce current EPA policy to require management to document authorization of split-funding approvals.	C	Chief Financial Officer	3/12/20	
4	9	Recover the \$641,680 of unallowable equipment purchased.	C	Chief Financial Officer	8/31/20	\$642
5	12	Determine whether contract EP-W-18-008 should be terminated and rebid to comply with the full and open competition requirement of the Competition in Contracting Act and to disclose that the EPA will provide government-furnished equipment.	C	Assistant Administrator for Mission Support	7/31/20	
6	17	Review all active contracts for acquisitions of information technology hardware, software, and services in fiscal year 2016 and later to determine whether the required Federal Information Technology Acquisition Reform Act approvals were obtained and, if not, to obtain the appropriate reviews and approvals. Identify cost findings in the process from hardware and software purchases that were either duplicates or unnecessary.	R	Assistant Administrator for Mission Support	3/15/21	
7	17	Require contracting officers to maintain records of all approvals by the chief information officer, including those under the Federal Information Technology Acquisition Reform Act, in accordance with the EPA Acquisition Information Technology approval process.	C	Assistant Administrator for Mission Support	8/31/20	
8	22	Gather EPA property reports from each program and compare the equipment value, serial number, asset tag, and location in the EPA property database or contractor-held property report.	C	Chief Financial Officer	8/31/20	
9	22	Require the contracting officer to verify that the location of EPA property discussed in this report is updated in the contract records.	C	Assistant Administrator for Mission Support	9/30/20	
10	22	Create a software license inventory policy, which will include identifying the number of licenses, license-counts authorized, overall costs of licenses, maintenance fees, and contracts used for each licensed software. Track and report savings produced by software licensing inventory and report the savings as part of the Office of Management and Budget's annual Spend Under Management data.	R	Assistant Administrator for Mission Support	12/31/22	\$1,180


¹ C = Corrective action completed.

R = Recommendation resolved with corrective action pending.

U = Recommendation unresolved with resolution efforts in progress.


Timeline of Events






April
2018

- CGI Federal provided a Rough Order of Magnitude for EP-W-07-24, which included an option for the hardware procured for EP-W-07-024 to be used on the first momentum upgrade to save money during that period.
- CGI Federal provided a proposal for the purchase of hardware and software for \$641,679.54.
- The contracting officer's representative approved the CGI work plan.
- The procurement analyst approved the new task order as an emergency action under EP-W-07-24.
- The task order for the purchase of hardware and software was issued.
- EP-W-07-024 ended.




May-July
2018

Hardware delivered to CGI's Phoenix data center on various dates throughout May and July 2018.



June
2018

CGI Federal provided the EPA with a revised proposal for EP-W-18-008, including procurement of hardware and software.




August
2018

The invoices for EP-W-07-024 hardware and software purchases were approved and paid.




September
2018

Hardware and software transferred from contract EP-W-07-024 to EP-W-18-008.



November
2018

The EPA entered hardware information into the Agency Asset Management System.



July
2019

Three servers purchased as part of \$641,679.54 procurement moved from CGI's Phoenix data center to the EPA's Research Triangle Park National Computer Center.

EP-W-07-024 Modifications Issued Without FITARA Approval

	Modification	Date	Justification	Amount
1.	29	5/31/17	Incorporated CGI's revised proposal.	\$50,901.21
2.	30	6/29/17	Issued a one-month extension in accordance with CGI's work plan.	608,438.30
3.	31	7/31/17	Issued a four-month extension in accordance with CGI's work plan.	608,438.30
4.	32	9/12/17	Incorporated licenses for Simplified Acquisition Purchase Business Objects BI Suite, Momentum Acquisitions Plus for Obligations Only, and Momentum Performance Budgeting Plus.	849,526.31
5.	33	12/4/17	Extended services to December 31, 2017.	646,233.44
6.	34	12/29/17	Extended services to January 31, 2018.	617,014.03
7.	35	1/24/18	Extended services to March 31, 2018.	1,234,028.08
8.	36	3/1/18	Incorporated CGI's transition from the old contract to the new contracts.	629,769.76
9.	37	4/18/18	Purchased equipment. (including the \$641,679.54 in government-furnished property)	676,179.54
Total				\$5,920,528.97

Source: OIG analysis. (EPA OIG table)

Agency Response to Draft Report



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

WASHINGTON, D.C. 20460

September 11, 2020

MEMORANDUM

SUBJECT: Response to Office of Inspector General Draft Report No. OA&E-FY19-0035 “*EPA Improperly Bid Information Technology Contract and Should Improve Internal Controls for Contract Management*,” dated July 17, 2020

FROM: David A. Bloom, Deputy Chief Financial Officer
Office of the Chief Financial Officer

DAVID
BLOOM

Digitally signed by DAVID
BLOOM
Date: 2020.09.11
15:32:59 -04'00'

Donna J. Vizian, Principal Deputy Assistant Administrator
Office of Mission Support

Vizian,
Donna

Digitally signed by Vizian,
Donna
Date: 2020.09.11
14:34:23 -04'00'

TO: Khadija Walker, Director
Contract and Assistance Agreement Directorate
Office of Inspector General

This memorandum responds to the Office of Inspector General’s draft report, “*EPA Improperly Bid Information Technology Contract and Should Improve Internal Controls for Contract Management*,” dated July 17, 2020. The EPA appreciates the cordial and thorough communication with the OIG since the audit commenced in the summer of 2019. As you will see from the table below, the Agency has completed many of the OIG’s recommendations. However, the Agency disagrees that Contract No. EP-W-18-008 was improperly bid, as all guidelines were followed according to the Federal Acquisition Regulations. Please see Attachment 1 for further details. In addition, the Agency completed the transfer of the hosting equipment to EPA’s National Computer Center on August 31, 2020.

To facilitate review for the OIG, EPA is including attachments with supplemental information related to the implementation of OIG’s recommendations, including documents certifying EPA’s completion of the identified corrective actions (attachment 1).

AGENCY’S RESPONSE TO DRAFT AUDIT RECOMMENDATIONS

Agreements

No.	Recommendation	Assigned to:	High-Level Corrective Action(s)	Estimated Completion Date
1	Reinforce Federal Acquisition Regulation and contract clause requirements, via policy updates and training, with contract management and staff.	OMS	Reinforce Federal Acquisition Regulations and contract clause requirements, via policy updates and training, with contract management and staff.	Completed September 26, 2019
2	Institute internal controls in EPA contract systems to prevent improper spending in the future.	OMS	Institute internal controls in EPA contract systems to prevent improper spending in the future.	Completed July 24, 2020
3	Reinforce current EPA policy via a policy update, to require management to document authorization of split funding approvals.	OCFO	RMDS 2520-04 was updated to enhance financial guidance and standard operating procedures regarding the preparation and review of approval requests for the use of multiple appropriations. The update also included a new request process using The Multiple Appropriations Request Tool to increase monitoring, provide a standardized template/format for submissions, create a central repository and allow multiple team members to receive notification when MA requests are entered ensuring all requests are processed timely.	Completed March 12, 2020
4	Recover the \$641,680 of unallowable equipment purchased.	OCFO	In FY 2019, OCFO made the decision to transfer the mixed financial production environment from CGI's Phoenix Data Center to EPA's National Computer Center. As part of this effort, OCFO developed the plan to transfer all the government-owned property out of PDC. This plan started on July 26, 2019 by transferring three servers and continued November 7, 2019 with nine additional servers being shipped from PDC to NCC. OCFO	Completed August 2020

			<p>completed the mixed financial production move on July 24, 2020. The remaining six servers and a storage device were transferred to the NCC on August 31, 2020.</p> <p>The updated Contractor Held Property Report due to the agency in October 2020 should reflect all property transitioned back to the EPA. OCFO has initiated additional internal controls with the implementation of a project health check, the requirement to maintain FITARA approval documentation in a central location for future reference and a required DCFO briefing on all action over \$1 million. Please see attachment, “OCFO Shared Serve Center HW-SW Inventory 073019” (attachment 2) and attachment, “OCFO GFP Inventory 092719” (attachment 3).</p>	
5	Determine whether Contract No. EP-W-18-008 should be terminated and rebid to comply with the full and open competition requirement of the Competition in Contracting Act and to disclose that the EPA will provide government-furnished equipment.	OMS	Determine whether Contract No. EP-W-18-008 should be terminated and rebid to comply with the full and open competition requirement of the Competition in Contracting Act and to disclose that the EPA will provide government-furnished equipment.	Completed July 2020
6	Review all original or amended contracts for acquisitions of information technology hardware, software, and services in fiscal year 2016 and later to determine whether the required Federal Information Technology Acquisition Reform Act approvals were obtained, and if not, obtain the	OMS	Review all active original or amended contracts for acquisitions of information technology hardware, software, and services in fiscal year 2016 and later to determine whether the required Federal Information Technology Acquisition Reform Act approvals were obtained, and if not, obtain the appropriate	March 15, 2021

	appropriate reviews and approvals. Identify cost findings in the process from hardware and software purchases that were either duplicates or unnecessary.		reviews and approvals. Identify cost findings in the process from hardware and software purchases that were either duplicates or unnecessary.	
8	Require contracting officers to maintain records of all approvals by the chief information officer, including those under the Federal Information Technology Acquisition Reform Act, in accordance with the EPA Acquisition Information Technology approval process.	OMS	Require contracting officers to maintain records of all approvals by the chief information officer, including those under the Federal Information Technology Acquisition Reform Act, in accordance with the EPA Acquisition Information Technology approval process.	Completed August 2020
9	Gather EPA property reports from each program and compare the equipment value, serial number, asset tag, and location in the EPA property database or contractor-held property report.	OCFO	Gather EPA property reports from each program and compare the equipment value, serial number, asset tag, and location in the EPA property database or contractor-held property report.	Completed August 2020
10	Require the contracting officer to verify that the location of EPA property is updated in the contract records.	OMS	Require the contracting officer to verify that the location of EPA property is updated in the contract records.	September 30, 2020
11	Create a software license inventory policy, which will include identifying the number of licenses, license-counts authorized, overall costs of licenses, maintenance fees, and contracts used for each licensed software. Track and report savings produced by software licensing inventory and report it as part of the U.S. Office of Management and Budget's annual Spend Under Management data.	OMS	Create a software license inventory policy, which will include identifying the number of licenses, license-counts authorized, overall costs of licenses, maintenance fees, and contracts used for each licensed software. Track and report savings produced by software licensing inventory and report it as part of the U.S. Office of Management and Budget's annual Spend Under Management data.	December 31, 2022

Disagreements

No.	Recommendation	Assigned to:	Agency Response	Proposed Alternative
7	Update the 2015 <i>Invoice Review and Approval Desk Guide</i> to include the Federal Information Technology Acquisition Reform Act and EPA Acquisition Guide requirements for approval for new contracts and modifications to existing contracts.	OMS	Considering that EPA agreed to recommendation 6, which would capture all pre-FITARA contracts, this recommendation is unnecessary. FITARA approval must occur at the onset of the requisition process. Suggesting that approval is needed at the invoice stage is misleading and will cause confusion as it is well past the stage where FITARA approval must occur.	Review all active original or amended contracts for acquisitions of information technology hardware, software, and services in fiscal year 2016 and later to determine whether the required Federal Information Technology Acquisition Reform Act approvals were obtained, and if not, obtain the appropriate reviews and approvals. Identify cost findings in the process from hardware and software purchases that were either duplicates or unnecessary.

Attachments:

- (1) Background on Report Recommendations
- (2) OCFO Shared Service Center
- (3) OCFO GFP Inventory
- (4) Flash Laptops
- (5) Flash Acquisition Planning Documents
- (6) Flash IT Approval Reminder
- (7) FITARA Custom Fields
- (8) Email FITARA Custom Fields
- (9) Email Flash APP
- (10) Revised EPAAG 7.1.1

CC: Catherine Allen
 Heriberto Ibarra
 Michael Petscavage
 Lynnann Hitchens
 Vaughn Noga
 Erin Collard

Carol Terris
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Kimberly Patrick
Pamela Legare
Brian Epley
David Updike
Lynsey Lanier
Eva Ripollone
Celia Vaughn
Aileen Atcherson
Nikki Wood Newton
Daniel Coogan
Marilyn Armstrong
Mitchell Hauser
Andrew LeBlanc
José Kercadó-Deleon

BACKGROUND ON RECOMMENDATION #1

OMS launched the Acquisition Workforce Comprehensive Training Program (AWCTP) with more than 20 courses that focus on EPA specific issues and processes. All the courses are rooted in the Federal Acquisition Regulation (FAR). The courses are taught several times throughout the year and are readily accessible to the acquisition workforce which includes, but is not limited to, Contracting Officers (COs) COs/CSs, Contracting Officer's Representatives (CORs) CORs, Simplified Acquisition Contracting Officers (SACOs), and purchase card holders. In the Fall of 2016, PTOD gave a presentation on various subjects including Federal Information Technology Acquisition Reform Act (FITARA). Office of Mission Support's (OMS) Office of Customer Advocacy Policy and Portfolio Management (OCAPPM) gave presentations to the CORs per FITARA. The AWCTP was initially launched on August 01, 2018.

OMS also offers FITARA classes posted for all COs and CORs on their FITARA intranet site located at [FITARA](#). This link to the website is included in EPAAG Subsection 39.1.1. paragraph 39.1.1.6, Websites. For OAS offered training, the acquisition training schedule and registration procedures are located at: <https://contracts.epa.gov/trainingschedule>

OMS incorporated additional FITARA information/ requirements into several AWCTP courses for the acquisition community. Those courses included Simplified Acquisition Procedures, Advanced Procurement Plan (APP) training and webinars, Top 10 Things Every Contracting Officer's Representative Should Know (which includes FITARA, EPAAG 39.1, and Information Security Role Based training), Purchase Card training webinars, and Supervisor courses for those overseeing personnel that are part of the agency procurement process. Additional FITARA training material will also be included in the COR Refresher course, which is currently being updated under PTB review.

OMS has further released several FITARA Flash Notices (attachments 4, 5, 6) reiterating and highlighting the importance of following FITARA guidance provided in EPAAG Part 39. Flash Notices are distributed widely to the CO and COR community. Additionally, FITARA and contract clause requirements are focal points within OAS's Contract Management Assessment Program (CMAP) program as specified in EPAAG Subpart 1.1.1. This is an annual self-evaluation/peer evaluation program to ensure COs are following federal and agency acquisition regulations and policies.

BACKGROUND ON RECOMMENDATION #2

OMS requests that Recommendation #2 be reworded as follows:

“Reinforce internal controls in EPA Acquisition System (EAS) to prevent future spending on information technology without the proper FITARA prior approval”

OMS requests revisions to the narrative on page 6 of the draft report that leads up to Recommendations #1 and #2 to clarify that Contract No. EP-W-07-024, Financial System Modernization Project (FSMP), was not a level-of-effort term type contract for services, where contract performance is wholly tied to a specified level of effort, over a stated period of time.

EP-W-07-024 was solicited (RFP #PRHQ0512521) and awarded under the North American Industry Classification System (NAICS) 541512 as the requirement is for the modernization of EPA's financial system within an overall financial modernization plan, the implementation of which was to promote increased integration among systems, add new functionality, and improve the agency's ability to perform core financial management essential functions. NAICS 541512 is appropriately used when the contract requires contractor-provided planning and designing computer systems that integrate computer hardware, software and communication technologies. The hardware and software components of the system may be provided by the establishment or company as part of integrated services or may be provided by third parties or vendors. Also, under NAICS 541512, establishments often install the system and train and support users of the system. Illustrative examples include such requirement as the following: computer systems integration design consulting services, local area network (LAN) computer systems integration design services, information management computer systems integration design services, and office automation computer systems integration design services.

The FSMP performance work statement (PWS) stated that the overall scope of the FSMP is an agencywide financial management system and the agency anticipated that the FSMP will result in an integrated solution composed of a Commercial Off the Shelf (COTS) product or suite of products. The PWS further listed several FSMP goals which included: the delivery of a world class, best value, business and financial enterprise that implement an agencywide resource management solution; increased efficiency and effectiveness by optimizing investments; identified measurement benchmarks and exceed industry performance standards; and, leveraged proven technologies to advance business operations. The purchase of the hardware suite in question under Contract No. EP-W-07-024 is part of the overall IT solution for achieving the goals specified in the contract's PWS and within the scope of NAICS 541512. The NAICS used for Contract No. EP-W-07-024 is verifiable through the Federal Procurement Data System (FPDS) database.

OMS further requests revision to Figure 1: Contract Award and Equipment Purchase Timeline included on page 6 of the draft report, and proposes the following changes:

December 31, 2017: Contract EP-W-18-007 awarded.

January 1, 2018: Contract EP-W-18-008 awarded.

March 28, 2018: The CO issued to the contractor the written notice and authorization to proceed with the authorized not-to-exceed amounts for services contained under EPA Request for Workplan dated on 03/28/2018. The notice outlined two efforts to be completed under EP-W-07-024: UPIID Analysis Phase under EP-W-07-024, Task Order #28 and hardware and software purchase under EP-W-07-024, later issued as Task Order No. 68HE0H18F1491.

April 18, 2018: The CO followed up the notice and authorization to proceed with the formal issuance of Task Order No. 68HE0H18F1491 under Contract EP-W-07-024.

- April 20, 2018: Task Order No. 68HE0H18F1491 stated a period of performance through this date for completion of all work and delivery of hardware.
- May 2018: Hardware delivered to the PDC in May 2018 and then government property tagged at a later date. Hardware accountability was under EP-W-07- 024.
- August 30, 2018: EPA final payment for \$641,680 equipment purchased for EP-W-07- 024.
- September 18, 2018: Equipment accountability was transferred from contract EP-W-07-024 to EP-W-18-008.

Specific to the issue of delivery, the OCFO requisitioner had originally estimated that the required work and hardware delivery would be completed by April 20, 2018, the date specified in Task Order No. 68HE0H18F1491. However, OMS was advised that the hardware was delivered to the PDS a few days later in May of 2018. While FAR Part 46 prescribes a certain course of action in instances of nonconforming supplies or services, including late delivery, such course of action was not warranted in this case given the relatively minor impact of the slight delay in delivery. A contract, as in the case of procurement for a non-severable item or hardware, does not simply end until both contracting parties have fully performed their respective contractual obligations. The contract continues in effect until it has been "discharged" in one way or another, e.g., by fulfillment, accord and satisfaction, or breach & termination. See Cibinic, Nash, and Nagle, Administration of Government Contracts 4th, page 1202, which describes discharge as "extinguishment of all or part of the continuing rights and obligations of the parties under the contract." Being discharged should not be confused with being "physically complete" or "closed out" as provided under FAR 4.804, Closeout of contract files.

Specific to Recommendation #2, OAS' Information Technology Systems & Service Branch (ITSSB), with the assistance of the PTB, instituted two mandatory custom fields into EAS, effective May 2018 to capture the estimated dollar value of IT to be purchased, if any, and required EAS fields for the following: 1) PR (requisition) program office populated FITARA information; and 2) contracting office populated FITARA information for all awards. Attachments 7 and 8 are the email notification about the custom fields.

In addition to the systemic changes within EAS to support the FITARA review requirement, in July 24, 2020 OAS updated its Advanced Procurement Planning (APP) policy instructing COs/CSs to reject applicable PRs that do not contain FITARA approval. The Flash Notice (attachment 9) and the revised EPAAG Subsection 7.1.1 (attachment 10) are attached.

Furthermore, as provided under EPAAG Subsection 1.1.1, OAS has in place the Contract Management Assessment Program (CMAP) which is described in Part 6 of the Office of Acquisition Management (currently Office of Acquisition Solutions, OAS) Balanced Scorecard (BSC) Performance Measurement and Management Program (PMMP) Guide. Part 6 of the PMMP Guide outlines the CMAP is a system of controls designed to measure operational awareness and to assess how well EPA's contracting organizations comply with all acquisition

requirements and support their respective program customers. The CMAP includes four primary components: Internal Control Plans; Self-Assessment Reviews; Annual Self-Assessment Reporting; and CMAP Peer Reviews. These four components provide the ability to identify and correct systemic vulnerabilities which in turn provides safeguards against waste, fraud and abuse. FITARA review is one of the focal points under the CMAP. Future assessment activities will further emphasize and reinforce its importance through increased management attention & oversight.

BACKGROUND ON RECOMMENDATION #3

For recommendation #3, the Office of the Controller updated [Resource Management Directive System 2520-04](#), Multiple Appropriations of Non-direct Allocable Costs, to provide enhanced financial guidance and standard operating procedures regarding the preparation and review of approval requests for the use of multiple appropriations. To increase awareness throughout the agency, the OC communicated the requirement and issuance of this updated policy document to the financial community through:

- Mission Support Division Director Meeting (October 2019)
- Office of Mission Support Contract Officer Representative Lab Training (October 2019)
- Email Notification from the OC (March 2020)
- OCFO Policy Blitz (July 2019 and March 2020)
- OC Newsletter – The Source (July 2019 and March 2020)
- Regional Comptroller/Financial Management Officer Meeting (April 2020)

This update reminded agency offices of the requirement to submit the required information as stated in RMDS 2520-04 to obtain approval for use of multiple appropriations, prior to the use of funds.

BACKGROUND ON RECOMMENDATIONS #4 AND #9

For recommendations #4 and #9, efforts were underway from FY 2015 to FY 2018 to re compete and/or renew the EPA contracting for the new accounting system deployed in FY 2012, a version of Momentum software from CGI. The CIO at the time stipulated that hosting be acquired as a separate contract to increase competition and potentially improve pricing/services. The contracting process was very complex and extended beyond the intended timeframe.

Ultimately, the previous vendor, CGI, succeeded for both aspects of the service. The Senior Information Officer and the Director of the Office of Technology Solutions at that time were interested in possibly finding further savings and improved performance by managing the equipment as well as adjusting the hosting location, and began planning changes to the OCFO infrastructure environment, in FY 2018. The hosting location changes were an optional task under the new contract; however, not all related actions under previous contracts were resubmitted through the Federal Information Technology Acquisition Reform Act process.

Hosting Strategy Review

The equipment purchased and hosting shifts proceeded in FY 2019. At the end of the calendar year, two key program staff separated from the agency. Under the direction of the new Chief Information Officer, Vaughn Noga, and then Chief Financial Officer, Holly Greaves, and in consultation with the agency's Office of Acquisition Solutions, OCFO worked with OMS to review and revamp the hosting strategy for financial systems.

The decision was to re-establish hosting for financial systems at EPA's Computer Center at NCC, with the exception of the accounting system itself, to better mirror the original contract and hosting strategy, and to align with the agency's 2019 Data Center Plan. This included restructuring the hosting contract to move the equipment and most financial systems back to EPA's hosting environment.

Corrective Actions

The final contract changes took place in spring 2020, and the systems moves were accomplished in July 2020. OCFO has also put internal controls in place to ensure proper FITARA review and documentation of its IT acquisitions.

BACKGROUND ON RECOMMENDATION #5

OMS and OCFO have jointly evaluated the possibility of terminating Contract No. EP-W-18-008 and concluded that termination is not in the best interest of the agency. The program office still needs the primary services the contract provides and, therefore, should be allowed to expire at the end of its maximum potential ordering period of performance, if all options were exercised.

Representatives from OCFO informed OAS that once the migration is completed, the scope of work under the contract overall would be reviewed for potential changes or de-scope. However, continued work is needed to support Compass under the contract including support for Compass Version Enhancement (CVE) hosting and data replication efforts. This work involves implementation of all EPA and NIST IT security controls applicable to OCFO's current and future financial and mixed financial systems at the moderate risk level. NIST 800-53 revision 4 contains NIST's most up-to-date IT security controls and the contractor will ensure that the most recent security controls are implemented on all OCFO financial and mixed financial systems.

Required tasks include following:

- Providing Compass data replication setup and support. The contract is needed to perform installation, configuration, and monitoring of the data replication from the Compass Core Financial database to Compass Data Warehouse (CDW) database.
- Providing support for Momentum version upgrades (ex. configuration and testing). The contractor is needed to provide the separate Compass environments support for the version upgrade tasks. The environments include databases and applications for Conversions, System Testing, Integration Tests, Training, and Production environments.

OMS disagrees with the OIG draft report statement that “The full and open competition requirement of the Competition in Contracting Act (CICA) was not met because bidders were not aware that government-furnished property would be available for the contract.”

The agency complied with FAR 6.101, policy, to promote and provide for full and open competition in soliciting offers and awarding Contract No. EP-W-18-008, using FAR 6.102 available competitive procedures to fulfill the requirement under FAR 15. For source selection, EPA used FAR 15.101-1 tradeoff process as we determined it to be in the best interest of the Government to consider award to other than the lowest priced offeror or other than the highest technically rated offeror. The request for proposal (RFP) SOL-DC-16-00007, EPA Compass Hosting and Support Services (NAICS 518210), which resulted in the award of Contract No. EP-W-18-008, listed all evaluation factors and significant subfactors that will affect contract award and their relative importance. The solicitation also specifically stated in the RFP’s section M that all evaluation factors other than cost or price, when combined, are significantly more important than cost or price. Under this best value trade off source selection process, price is a substantial factor in the source selection but is not the determining factor for award. The solicitation did not list any government-furnished property as none was available at the time of solicitation which was initially released on 12/14/2016. We do not believe that not listing unavailable government property in the solicitation, in any way, undermined the competition for the award of Contract No. EP-W-18-008. The solicitation resulted in an adequate price competition as per FAR 15.403-1 (c) (1) wherein two responsible offerors, competing independently, submitted priced offers that satisfied the Government’s expressed requirement; award was made to the offeror whose proposal represented the best value (see FAR 2.101) where price is a substantial factor in source selection; and there was no finding that the price of the successful offeror is unreasonable.

As previously noted in our response to the discussion document, Contract No. EP-W-18-008 was awarded under an effective competitive process with the receipt of four offers, two of which were determined to be in the competitive range. We had reviewed the award once more and determined that the decision does not reveal that any price advantage resulted for either one of the offerors in the competitive range due to the subsequent equipment purchase referred to in the OIG draft report. Based on their own technical approaches, both offerors in the competitive range proposed the commensurate equipment and tools they each determined on their own as required to successfully perform the contract, with the successful offeror (CGI) proposing well over \$13 million in other direct costs, and the unsuccessful offeror proposing over \$4 million for such expenses. It should be noted that the cost driver was labor where the successful offeror proposed \$4.4 million and the unsuccessful offeror proposed over \$18 million. The award decision boiled down to the best value determination based on the offered solution and the technical evaluation results. Industry questions were addressed; meaningful discussions were held giving way to final proposal revision; technical evaluations were completed; and the source selection decision document was reviewed by the Office of General Counsel for legal sufficiency. There was no protest and prompt debriefings were held as per offerors' requests.

BACKGROUND ON RECOMMENDATION #6

OMS requests a rewrite of this recommendation to state the following:

“Review all active original or amended contracts for acquisitions of information technology hardware, software, and services with dollar values over the simplified acquisition threshold, in fiscal year 2016 and later to determine whether the required Federal Information Technology Acquisition Reform Act approvals were obtained, and if not, obtain the appropriate reviews and approvals. Identify duplicative purchases of hardware and software and take steps to achieve cost savings from the use of common contract solutions.”

The task of reviewing active contract vehicles is labor intensive and serves no value for expired and closed actions. OMS can collect data and identify multiple IT purchases (i.e., duplicates) for the same hardware and/or software requisitioned by various program offices. However, programs, and not OAS, determine the necessity for hardware and software.

BACKGROUND ON RECOMMENDATION #7

FITARA is a pre-award and/or acquisition planning issue when a new IT procurement is being contemplated or when an existing contract or task order requires modification to add IT item(s) that were not previously FITARA reviewed and approved by the CIO/CIO representative as required by the agency. As discussed under Recommendation #2, OMS instituted two mandatory custom fields into EAS, effective May 2018 to capture the estimated dollar value of IT to be purchased, if any, and required EAS fields for the following: 1) PR (requisition) program office populated FITARA information; and 2) contracting office populated FITARA information for all awards. Attachments 7 and 8 are the email notification about the custom fields. In addition to the systemic changes within EAS to support the FITARA review requirement, in July 24, 2020 OAS updated its APP policy instructing COs/CSs to reject applicable PRs that do not contain FITARA approval.”

BACKGROUND ON RECOMMENDATION #8

Existing policy already requires approval and contract documentation as delineated in EPAAG 7.1 and EPAAG 39.1. File documentation is also emphasized throughout the various EPAAG sections. Approvals are maintained in the contract writing system as well as in the official contract file. EPAAG requirements and instructions specific to FITARA include the following:

EPAAG Paragraph 39.1.1.5.1 Program Office Review Responsibilities:

The requiring official, typically the COR is responsible for submitting a request to procure IT and obtaining approval in accordance with the procedures contained in this subsection. After approval is received from the CIO or designated delegate, a copy of the approval shall be included with the Advanced Procurement Plan (APP), if an APP is required in accordance with EPAAG 7.1.1. A copy of the approved APP must be sent to the contracting office. If an APP is not required, a copy of the approval shall be included with the requisition or provided directly to the purchase cardholder if applicable.

EPAAG Paragraph 39.1.1.5.2 Contracting Officer Verification Responsibilities

In accordance with EPAAG 7.1.1.5.6, Procurement Package, contracting officers are responsible for verifying that a complete procurement package has been submitted. Contracting officers must verify whether an approval to purchase IT has been included in the Advanced Procurement Plan (APP) or attached to the requisition if an APP is not required. No solicitation may be issued until the appropriate IT purchase approval has been received by the contracting officer. If an IT purchase approval document has not been received, the program office must be contacted immediately to obtain a copy of the approval. If IT purchase approval is required and the program office will not provide a copy of the approval, contracting officers must not proceed with the acquisition until the program office complies with the policy and submits the IT purchase approval.

EPAAG Paragraph 39.1.1.5.3 Purchase Cardholder Responsibilities

In accordance with the IT Acquisition Approval Process, Attachment 39.1.1-A IT actions at or below the micro-purchase level require approval for the IT acquisition from the Senior Information Officer (SIO), Information Management Officer (IMO), or other designee in accordance with the Program Office or Region's existing approval process. A copy of the IT purchase approval must be provided to the purchase cardholder. The purchase cardholder must ensure that an IT acquisition approval has been received before making the purchase. If an IT purchase approval document has not been received, the program office must be contacted immediately to obtain a copy of the approval. Purchases cannot be made until written approval has been received. The purchase cardholder must include the documented approval in the purchase card file.

EAS Acquisition Checklist and the SAP [Simplified Acquisition Purchase] Checklist were updated to include blocks for the FITARA approval e-mail(s). Additionally, OAS/PTOD's Policy & Training Branch (PTB) has an upcoming scheduled EPAAG 7.1 training, which will reiterate the requirement for all approvals to be maintained in EAS.

BACKGROUND ON RECOMMENDATION #10

As discussed under Recommendation #4, during the late part of CY 2019, most of the servers in question were decommissioned and shipped to the National Computer Center (NCC), Research Triangle Park, North Carolina. Currently, the migration of the servers and other supporting hardware remaining at CGI's Phoenix Data Center (PDC) is still in progress. The anticipated completion date is 08/31/2020. Therefore, the contract modification to remove accountability of the property from the contract will be processed and executed at that time, thus, updating the contract records.

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