



U.S. SENATE COMMITTEE ON

# Finance

SENATOR CHUCK GRASSLEY, OF IOWA - CHAIRMAN

<http://finance.senate.gov>

## MEMORANDUM

To: Reporters and Editors  
Re: Report on Federal Technology Contracting Problems  
Da: Thursday, Dec. 16, 2004

A report issued today by the Inspector General for the General Services Administration – "Compendium of Audits of the Federal Technology Service Regional Client Support Centers" – identifies a number of improper contracts and task order awards involving millions of dollars which did not comply with procurement laws and regulations.

The report was completed in response to a January 2004 letter from Senator Grassley requesting a comprehensive audit by the Office of the Inspector General of the General Services Administration's Federal Technology Service Regional Client Support Centers. Concurrently, GSA Administrator Steven A. Perry also asked the Inspector General for a complete review of its Client Support Centers.

The Federal Technology Service is a subsidiary of the General Services Administration. It procures information technology from the private sector and resells those services to other government agencies. The Federal Technology Service collects a fee for providing its contracting and procurement services which, according to the Inspector General, contributed in part to "an environment that emphasized client agency satisfaction and a culture that emphasized revenue growth."

An audit report of the Inspector General issued January 8, 2004, had disclosed serious management problems, procurement irregularities and contracting abuses in three of the Federal Technology Service Regional Client Support Centers. Based on the gravity and consistent nature of those problems across those three offices, Senator Grassley grew concerned that similar abuses might be occurring in the remaining Federal Technology Service Client Support Centers. In fact, the Inspector General report issued today finds that to be the case.

The Inspector General report identifies the following problems.

Some task orders that had been let for a specific dollar amount were allowed to mushroom by a factor of 30 to 50 times, without any further competition required. One sole source task order that was only anticipated to span a two-month period (with no option periods), grew from \$203,762 to more than \$81 million, an increase of 39,675 percent.

In some instances, contracts were awarded to one company simply to be able to pass the work through to another company.

Some contractors were being asked to perform work that was not within the scope of their contracts.

Undue restrictions were sometimes placed on competition in order to facilitate sole source contracting or to be able to select a specific, preferred contractor.

Fees were being taken for project management services, although little or no management or oversight actually was being provided. Federal Technology Service's lack of oversight resulted in payment for shoddy work, work that was never completed, or that was never delivered to the government -- including some involving homeland security.

Some client agencies were even permitted to select their own vendors.

Nineteen information technology task orders were awarded for construction services, lease, or the acquisition of real property.

Some 38 task orders exceeding \$571 million inappropriately used the information technology fund for such non-information technology related services as environmental clean up, administration, training on procurement and accounting of materials, and consulting and financial management activities.

Senator Grassley issued the following comment about the findings.

"It's upsetting that many of the problems identified a year ago by the Inspector General in some of the Regional Client Support Centers were found to be problems in almost every region of the country. It's obvious that there have been serious weaknesses in both the systems and the management at the General Services Administration. I appreciate Administrator Perry's swift and aggressive response to fixing the problems. He's taking the bull by the horns to make sure every center operates according to the laws and regulations."

The December 14, 2004 report of the Inspector General for the General Services Administration will be available at <http://oig.gsa.gov>.