
The Department's Management of the EDNet Contract

FINAL AUDIT REPORT



ED-OIG/A19G0009

April 2007

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U.S. Department of Education
Office of Inspector General
Washington, DC

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

THE INSPECTOR GENERAL

April 17, 2007

Memorandum

TO: David Dunn
Chief of Staff
Office of the Secretary

FROM: Thomas L. Sipes for
John P. Higgins, Jr. /s/

SUBJECT: Final Audit Report
The Department's Management of the EDNet Contract
Control Number ED-OIG/A19G0009

Attached is the subject final audit report that covers the results of our review of the Department of Education's (Department) management of the Education Network (EDNet) contract. We received your comments concurring with the findings and associated recommendations in our draft report.

Corrective actions proposed (resolution phase) and implemented (closure phase) by your office(s) will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System (AARTS). Department policy requires that you develop a final corrective action plan (CAP) for our review in the automated system within 30 days of the issuance of this report. The CAP should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the findings and recommendations contained in this final audit report.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after six months from the date of issuance.

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We appreciate the cooperation given us during this review. If you have any questions, please call Michele Weaver-Dugan at (202) 245-6941.

Enclosure

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EXECUTIVE SUMMARY

The objective of our audit was to determine the effectiveness of the Department of Education's (Department) management of the Education Network (EDNet) contract. The Department awarded the EDNet contract, effective May 1, 2005, to acquire Information Technology (IT) network services. The main goals of the EDNet contract were to improve all services provided to the Department customers and to lower costs to the Department through IT integration.

The EDNet contract is managed jointly by the Contracts and Acquisitions Management (CAM) office, under the Department's Office of the Chief Financial Officer (OCFO), and the Office of the Chief Information Officer (OCIO). The principal parties involved in managing the EDNet contract are the Contracting Officer (CO) and Contract Specialist from OCFO/CAM, and the Program Manager and Contracting Officer's Representative from OCIO. The Department separately acquired the services of an Independent Verification and Validation (IV&V) contractor to provide assistance in determining whether the EDNet contractor's performance conforms to contract requirements.

Overall, we found that significant improvement is needed in the Department's management of the EDNet contract. Our audit found the EDNet contract structure and subsequent changes were not effective in managing contractor performance. Specifically, the structure of the EDNet contract did not provide effective performance incentives or disincentives to allow for timely enforcement of an acceptable level of performance. We also found a contract modification was not fully evaluated to consider whether a reduction in cost was appropriate for the reduced level of effort required by the contractor to meet acceptable levels of performance. As a result, the contractor had little incentive to perform during the base year (July 2005 through June 2006) or in the final year of the contract. Services provided during the base year were rated as unacceptable, and the Department's ability to improve performance was hampered.

We also found that the Department's controls did not ensure the contractor provided the quality and services required by the contract. Department officials also provided inappropriate direction to the contractor that changed the scope, requirements and/or due dates for some deliverables. As a result, the Department paid for a quality or level of services it did not receive, an asset management system that did not meet contract requirements and duplicated some activities of other Department contractors, and did not timely receive a critical tool for monitoring contractor compliance with Service Level Agreements. In addition, because a Department official directed the contractor to develop and host the tool on its own servers, the Department may have difficulty enforcing its rights to own the tool.

Finally, we noted the Department's contract administration practices were not effective. These practices did not ensure appropriate personnel from within the Department were assigned to manage and oversee the contract. In addition, Department staff did not always comply with applicable Federal regulations and Department policies and procedures. As a result, the Department does not have complete documentation of the contractor's performance and its

monitoring of the EDNet contract. The Department also lacks assurance that the contractor fully complied with the terms and conditions of the contract, and provided all required deliverables for which the Department paid. In the event of a future dispute, the Department's position would be weakened by this lack of documentation.

To correct the weaknesses identified, we recommended that the Department, among other things:

- Establish and implement a corrective action plan and schedule to address the contractor's performance issues and ensure that minimum quality levels of services are provided under the contract.
- Based on the corrective action plan implemented, modify the current EDNet contract to obtain an equitable adjustment for the Department for any reduced level of effort required to meet performance rating standards.
- Ensure that OCIO staff do not provide direction to the contractor that changes the scope, delivery dates, or other contract terms and conditions without going through the CO.
- Reinforce to the contractor its responsibility in ensuring that any direction provided that impacts the scope, delivery dates, or other terms and conditions, is provided by the CO prior to making any changes.
- Confirm that ownership of the Management Information Dashboard (Dashboard) remains with the Department. If possible, take action to transition the Dashboard to the Department's systems so that the Department will not lose control of this tool in the event of a change in contractors.
- Immediately develop and implement a contract monitoring plan for the EDNet contract to include the roles and responsibilities of all involved OCIO staff, OCFO/CAM staff, and the IV&V contractor. Conduct a meeting with all involved parties to ensure that all are familiar with their responsibilities, as required by OCFO procedure.
- Ensure that appropriate resources, whether Department staff, IV&V, and/or other contract assistance, are assigned so that contract monitoring responsibilities can be effectively accomplished.
- Establish a process to track receipt of deliverables, review the deliverables for compliance with contract requirements, and provide written recommendation to the CO for acceptance or rejection of deliverables. Ensure that constructive acceptance does not occur and harm the Department's interests under the contract.
- Establish and implement a process to ensure that all significant actions and monitoring under the contract are adequately documented, organized, and accessible to all involved parties. Ensure that CAM and program office files contain complete information, whether in electronic format or hard copy, to constitute a complete history of the contract that is accessible to all involved parties.

In its response to the draft audit report, the Department concurred with the findings and associated recommendations and provided a corrective action plan to address each recommendation. The Department's response is included as Attachment 6 to this report.

BACKGROUND

The Department of Education (Department) awarded the Education Network (EDNet) contract effective May 1, 2005, to acquire Information Technology (IT) network services. The EDNet contract includes three principal objectives:

- Improving all services provided to the Department customers, as measured by meeting Service Level Agreements (SLAs)¹ and ongoing independent third party customer satisfaction surveys.
- Lowering cost and demonstrating better service through the adoption of Capability Maturity Model Integration (CMMI) Level 3 processes and competence.
- Continuously lowering costs and improving customer satisfaction going forward for all services provided to the Department customers.

In order to achieve the principal objectives outlined above, the EDNet contractor provides IT support services in three areas:

- Category A – Managed services, billed on a firm fixed price per unit basis, which includes server maintenance, messaging (E-mail and Blackberry), and end-user support for hardware and software.
- Category B – Resources including, but not limited to, subject matter expertise billed on a fixed price and/or time and materials basis.
- Category C – Qualified labor on a time and materials basis for continuous staffing of services whose processes will be managed by the Department.

The EDNet contract is a performance-based contract under the Office of the Chief Information Officer (OCIO). The EDNet contractor's performance is measured semiannually in categories such as SLA performance, achievement of small business goals, and customer satisfaction survey results. Department officials stated a performance-based contract, which included SLAs, was adopted because they believed it added value when compared to a time and materials contract and it allowed related incentives to encourage superior contractor performance. Based on performance beginning with the second year of the contract, the contractor is eligible for award of future years of the contract. On July 1, 2006, the Department exercised the first option to extend the EDNet contract for an additional year. As a result, the funding for the contract was increased to \$45,801,743. Payments under the EDNet contract through July 2006 totaled \$20,609,890.

¹ SLAs are agreements that set expectations between the service provider and the customer. They describe the products or services to be delivered, the single point of contact for end-user problems, and metrics by which the effectiveness of the process is monitored and approved.

The EDNet contract is managed jointly by the Contracts and Acquisitions Management (CAM) office under the Department's Office of the Chief Financial Officer (OCFO), and OCIO. The principal parties involved in managing the EDNet contract are the Contracting Officer (CO) and Contract Specialist (CS) from OCFO/CAM, and the Program Manager (PM) and Contracting Officer's Representative (COR) from OCIO. The Department separately acquired the services of an Independent Verification and Validation (IV&V) contractor to provide assistance in determining whether the EDNet contractor's performance conforms to contract requirements.

AUDIT RESULTS

Our audit disclosed significant improvement is needed in the Department's management of the EDNet contract. Specifically, we found:

1. The EDNet contract structure and subsequent changes were not effective in managing contractor performance,
2. Department controls did not ensure the contractor provided the quality and services required in the contract, and
3. Contract administration practices were not effective.

The structure of the EDNet contract did not provide effective performance incentives or disincentives to allow for timely enforcement of an acceptable level of performance. As a result, the contractor had little incentive to perform and the services provided were rated as unacceptable during the base year. Further, a contract modification executed after the base year reduced the level of effort required to meet acceptable levels of performance. The modification did not provide the Department with corresponding consideration through reduced costs.

The Department's controls over contract management did not ensure that the contractor provided contractually required items. As a result, the Department paid for a quality and services it did not receive. For example, in Category C, the time and materials staff did not meet the requirements of the labor categories charged. Additionally, an asset management system (AMS) was not provided timely and did not meet all contract requirements. Finally, a critical tool for monitoring contractor performance was not provided timely and did not meet all contract requirements.

Overall, the contract administration practices followed for the EDNet contract were not effective. These weaknesses included the lack of a contract monitoring plan, failure to routinely review deliverables, and contract files that did not record significant actions taken under the contract. As a result, the Department did not have complete documentation of the contractor's performance and its own monitoring of the contract. As such, the Department lacks assurance that the contractor fully complied with the terms and conditions of the contract, and provided all services and deliverables required and for which the Department paid.

In its response to the draft audit report, the Department concurred with the findings and associated recommendations and provided a corrective action plan to address each recommendation. The Department's response is included as Attachment 6 to this report.

FINDING NO. 1 – EDNet Contract Structure and Subsequent Changes Were Not Effective in Managing Contractor Performance.

Summary

The initial EDNet contract structure and subsequent changes were not effective in managing contractor performance. Specifically, we found:

- a. The structure of the EDNet contract did not provide effective performance incentives or disincentives to allow for timely enforcement of an acceptable level of performance, and
- b. A contract modification executed after the base year reduced the level of effort required to meet acceptable levels of performance under SLAs without receiving corresponding consideration through reduced costs.

This occurred because the process for developing the performance evaluation plan did not adequately consider the need for more immediate incentives or disincentives to ensure adequate performance and an acceptable level of service. With respect to the modification, Department staff did not fully evaluate the impact of the changes and consider whether a reduction in cost was appropriate for reduced effort by the contractor.

As a result, the contractor had little incentive to meet performance requirements during the base year and during the final year when the contractor is not eligible for award of any additional years. Services provided during the base year were rated as unacceptable, and the Department's ability to improve performance under the contract through the use of incentives or disincentives was limited. In addition, the modification executed significantly increased the contractor's chances of obtaining a higher performance rating without increasing its actual level of effort or performance.

Issue 1a – The structure of the EDNet contract did not provide effective performance incentives or disincentives to allow for enforcement of a minimum level of performance.

The structure of the EDNet contract did not provide effective performance incentives or disincentives to allow for timely enforcement of a minimum level of performance. While the contract included an incentive related to award of future contract performance years, this approach provided only limited incentive during the base year.

The EDNet contract included a complex performance evaluation process based on the contractor's ability to satisfy SLAs and other factors. The following is an overview of the performance evaluation process contained in the original contract:

- Performance is evaluated every six months, and the two scores averaged to determine the final score for the year. The performance rating is based on several factors, including 50

points allocated to the contractor's performance in meeting SLAs.² An additional 50 points are allocated to inputs from key customers, end users, and IT management, for a total of 100 points.

- The annual score is applied to an overall rating table established in the contract to quantify contractor performance.
- An average of 85-93 points is defined in the contract as "Superior" performance, and a score of 85 represents the minimum level of performance required to allow the contractor to receive future award years.
- An average of 70-84 points is defined in the contract as "Satisfactory." The contract further states that 84 points is the "expressed level of satisfactory performance that can be expected from a good contractor." However, attaining this score does not qualify the contractor for future award years.
- Failure to meet specific SLAs results in the assignment of demerit points to the contractor. The number of related demerit points is based on the reporting frequency and disincentive level assigned to the SLA.
- During the base year, SLA demerit points were converted to disincentive points in a ratio of 5:1, where 5 demerit points yield 1 disincentive point. At the end of the six-month rating periods, the total number of disincentive points is subtracted from an initial pool of 50 possible SLA performance points to calculate the contractor's score for SLA performance. These point totals, plus the point total from other factors, are combined to determine the overall point total out of 100 possible points.
- Performance in the 2005-2006 base year does not result in a determination of award of future work.
- A one-year lag is built into the contract between the performance evaluation year and the award of future years. For example, "Superior" performance in 2006-2007 could result in award of work for 2008-2009.
- Should the contractor not achieve the minimum average score of 85 in 2006-2007, it would still have the contract for 2007-2008, to allow time for the Department to recompile and transition to a new contractor.

The contractor's self-assessment of its performance during the base year averaged 35.5 points. The Department's assessment of the contractor's performance over the same period averaged 31 points. The Department's assessment gave the contractor a performance score of 0 for its achievement of SLA performance standards during the base year. The contract defines a score of 49 and below as "Unacceptable" and states,

Performance of 49 and below is indicative of serious mismanagement, negligence and/or incompetence. Continued performance at this level will require Education to consider terminating the order for default.

While some interim reporting of SLAs and other factors is conducted, the Department lacks more immediate means of ensuring performance meets standards. An annual scoring with the determination of an incentive/disincentive for work that would actually occur one year later does not provide the Department with timely remedies for poor performance or ensure adequate

² See Attachment 1 for a complete list of SLAs measured during the base year of the contract.

performance in each SLA or performance area. The contract requires corrective action at the “Substandard” level, 50-69 points, one level above “Unacceptable,” as follows,

Performance between 50 and 69 points requires the Contractor to establish a deficiency correction plan and schedule to take the necessary corrective actions. Implementation of the plan and schedule will be tracked by the COR and Contracting Officer.

No deficiency correction plan is required by the contract at the lowest level of performance, or at any other level other than the “Substandard” level of 50-69 points, further hampering the Department’s ability to ensure the contractor takes corrective action and improves performance.

Federal Acquisition Regulation (FAR), Subpart 16.401(a), states,

. . . Incentive contracts are designed to obtain specific acquisition objectives by . . .
(2) Including appropriate incentive arrangements designed to (i) motivate contractor efforts that might not otherwise be emphasized; and (ii) discourage contractor inefficiency and waste.

FAR Subpart 16.402-2 states,

(b) To the maximum extent practicable, positive and negative performance incentives shall be considered in connection with service contracts for performance of objectively measurable tasks when quality of performance is critical and incentives are likely to motivate the contractor.

(c) Technical performance incentives may be particularly appropriate in major systems contracts, both in development (when performance objectives are known and the fabrication of prototypes for test and evaluation is required) and in production (if improved performance is attainable and highly desirable to the Government).

OCIO staff stated that the Department had not had any prior experience with SLA-based performance contracts, so this was a new concept. OCIO staff further stated the performance-based statement of work and performance evaluation system were developed based on the work performed by a consulting firm, and suggestions and feedback received from potential bidders. Overall, the process followed to develop the structure of the EDNet contract did not adequately consider the need for more immediate incentives or disincentives to ensure adequate performance and an acceptable level of service.

The structure of the performance evaluation system does not provide the Department with an established method to impose disincentives for poor performance or provide incentives for superior performance. Amounts paid to the contractor do not have a direct relationship to performance. The contractor’s performance in the base year was at the unacceptable level, yet the contractor received the same payment for its services that it would at any other level. The Department paid the full price for services that did not meet acceptable levels. Since

performance in the base year did not count toward the award of future years under the contract, the contractor had no incentive to meet higher performance levels. For future years, the contractor has no incentive to perform at a level greater than 85 points, since any performance above that amount is not rewarded.

The Department's recourse for unacceptable performance is to withhold payments for unsatisfactory performance, potentially entering a protracted dispute with the contractor, or to end the contract by terminating for default, or by not exercising option years or awarding future years. This action would require the Department to recompile the contract, resulting in additional costs to the Department, without any reduction in contract costs. During the time period while the contract is being recompeted, the incumbent contractor would have little incentive to perform in accordance with contract standards.

In addition, the structure of the performance evaluation system was potentially inefficient, as the contractor would not qualify for future award years even if they achieve a "Satisfactory" performance level during an annual rating period. Under this level of performance, the Department would have to invest resources, time, and effort into a competition process, and potentially select a new "unproven" contractor, even if the current contractor had proven its ability to satisfactorily fulfill contract terms.

Issue 1b – The contract was modified to reduce the level of effort required under Service Level Agreements.

After the base year, and effective July 1, 2006, the Department executed a contract modification that materially reduced the effort required to meet performance ratings without obtaining a corresponding reduction in cost. As discussed above, the contractor is required to achieve defined performance thresholds for specified SLAs. A matrix assigned a fixed number of demerit points for each SLA performance shortfall based upon its defined measurement frequency and disincentive value. For example, failure to achieve the performance standard for a SLA with a weekly measurement frequency and a high disincentive level would result in the assessment of six demerit points. These demerit points were converted to disincentive points by an established ratio, and the disincentive points were in turn deducted from a pool of 50 available SLA performance points.

The modification reduced the total number of SLAs from 43 in the original contract to 26. In addition, the contract modification impacted three key areas that materially reduced contract performance requirements. Specifically, the modification (1) reduced the demerit to disincentive point conversion ratio, (2) established disincentive point caps for individual SLAs, and (3) reduced performance standards, frequency measurements, and/or disincentive levels for certain SLAs.

Demerit to Disincentive Point Conversion Ratio Was Reduced

As previously stated, the original conversion of demerits to disincentive points applied a ratio of 5:1. The modification changed this conversion to a 50:1 ratio, requiring a 10-fold increase in the number of demerits required to earn 1 disincentive point. Table 1 below compares the results for

the base year performance periods using only the change from the 5:1 ratio to the 50:1 ratio.

This change alone would have raised the contractor’s SLA performance score from 0 to 30 points for the base year (50 total points less 20 SLA performance disincentive points per column D). The contractor earned 31 points in other rating categories such as customer satisfaction surveys and achievement of small business goals. This resulted in a performance score of 31 points during the base year (column E). Overall, with all other factors remaining the same, the change in the ratio would have resulted in an overall performance score of 61 points, rather than 31 points, a 97 percent increase. This would have raised the contractor’s score from “Unacceptable” to “Substandard” – still not eligible for future award years, but a better performance rating than under the original methodology.

Table 1: Impact of Changes in Conversion Point Ratio in Contract Base Year

Contract Terms	Total Demerit Points (Base Year Average)	SLA Performance Disincentive Points (5:1 Original or 50:1 Modified)	SLA Performance Points Earned (50 Total Points Less Disincentive Points)	Total Performance Points Earned (D + 31)
A	B	C	D	E
Original	979	196 (B/5)	0	31
Modified	979	20 (B/50)	30	61

Disincentive Point Caps Established for Individual SLAs

The original contract did not limit the total number of disincentives that could be accumulated for repeated failures within an individual SLA, other than that negative SLA performance scores were not reported. The lowest score that could be reported for the 50 available SLA points was zero. In addition, certain SLAs originally contained multiple measures based on the number of servers in use to provide the service. As demonstrated in Table 1 above, column C, the contractor’s performance could result in disincentive points that exceeded the 50 available SLA performance points. Under this methodology, the contractor’s technical proposal estimated that a total of 34,243 disincentive points could be earned.

The modification limited the total number of disincentive points that could be assessed as equal to the 50 available SLA performance points. This was completed by establishing a maximum amount of disincentive points that could be earned for each individual SLA regardless of how many demerit points were earned. The established disincentive caps ranged from one to five points for each of the SLAs (for disincentive cap points assigned to the new SLAs, see Attachment 2). Overall, the caps limited the number of disincentive points that could be earned by one or more points for 12 of the 26 SLAs (46 percent). As shown in Table 2 below, the caps on the number of disincentive points that could be earned further increases the contractor’s performance scores.

Using the revised methodology, the contractor would earn a performance score of 74 points during the base year (43 points per Table 2 column F + 31 points earned from other rating categories). This is an increase of 13 points from the 61 points earned when disincentive caps

were not applied, and is an increase of 139 percent over the original methodology. Overall, this further increases the contractor’s performance rating to a level of “Satisfactory.” While this rating would still not qualify the contractor for award of future years, it would increase the contractor’s performance by two rating levels, and significantly increase the contractor’s ability to reach the “Superior” level through improvements in other rating factors.

Table 2: Overall Impact of Methodology Change in Contract Base Year

Contract Terms	Total Demerit Points (Base Year Average)	SLA Performance Disincentive Points (5:1 Original or 50:1 Modified)	Reduction in Disincentive Points Due to Cap	Net Disincentive Points (C-D)	SLA Performance Points Earned (50 Total Points Less Disincentive Points)	Total Performance Points Earned (F + 31)
A	B	C	D	E	F	G
Original	979	196 (B/5)	0	196	0	31
Modified	979	20 (B/50)	13	7	43	74

We also noted inconsistencies in the manner in which the caps were applied in that certain SLAs with the same reporting frequency and disincentive levels had different cap values. For example, 6 of the 26 SLAs established under the modification were created with a weekly reporting frequency and a high disincentive value. Of these, two SLAs had caps of five points, one SLA had a cap of two points, and three SLAs had caps of one point.

SLA Performance Standards Reduced

The modification resulted in material reductions in or eliminated measured performance standards in 16 of the 43 original SLAs (37 percent). Specifically, the modification reduced percentage performance requirements, or frequency measurement, or disincentive levels for 12 of the original SLAs. In addition, four of the original SLAs that had disincentive levels no longer appeared in the SLAs established under the modification.

Contract Section H.15, *Service Level Agreement Modification Process*, states,

It is recognized that, over the course of the contract, there are innovation factors and process improvements that will enable the Service Provider (SP) to provide incrementally better services to the Department of Education (ED or the Department) over time. As a result, the Department seeks to benefit from standard innovations, application of best practices, and process changes that can be leveraged from the provider’s experience into the ED environment....

Subsequent to Transition, both ED and the Service Provider will convene periodically to establish which service levels of the 43 performance standards will be subject to continuous improvement, or change. ED or the service provider may periodically recommend changes to specific service measurements that are subject to this term and condition and, as part of the Balanced Scorecard Measure and Changes Clause, introduce new candidates for measure....

As such, the Parties agree to adopt the concept of continuous improvement and that the Performance Standards may be modified during the term of this Agreement. However, ED acknowledges that some changes may impact cost and introduce variability. . .

This section of the contract acknowledges the potential need for adjustments to the SLAs, but it is based on continued improvement. The Department has not yet seen improvement in the SLA performance.

OCIO officials stated that changes in the performance system were initiated at the end of the first six months of the base year, when it was determined that the contractor was failing. In addition, OCIO officials stated there was confusion among senior managers regarding how the contractor's performance was evaluated. The former OCIO program manager for the EDNet contract provided a slide show presentation he prepared that included as guiding principles that the Department should only measure important areas, and that failure in one SLA should not put the entire contract at risk. No documentation was found in the contract files or provided by OCIO that detailed the justifications for the changes made or analyzed the potential impact of the revisions.

The former OCIO program manager stated there was no analysis to support the selection of the original 5:1 conversion ratio of demerit points to disincentive points in the original contract. The former program manager further stated there was no analysis to support adoption of the 50:1 ratio in the modification. OCIO officials stated the SLA caps were established to relieve confusion over the disagreement between the number of disincentive points and the total number of SLA performance points. They further acknowledged there was no defined rule for the application of cap values to individual SLAs.

The changes in the performance measurement factors amount to a material change in the contract. The changes reduced the level of effort needed to meet performance standards, and they significantly increased the contractor's performance rating. While the contract terms permitted alteration of the SLAs to allow for continuous improvement, the contractor did not earn any SLA performance points during the base year. Rather than encouraging improvement, the revisions made to the SLAs, in effect, rewarded the contractor by allowing reduced effort to meet the same level of performance, or stated another way, by allowing the same level of effort to meet higher levels of performance.

The Department did not receive any consideration such as reduced costs for this change in level of effort and ratings calculations. The former OCIO program manager stated he did not know whether the contract modification resulted in additional or reduced costs to the Department. CAM staff stated that no mention was made of seeking an equitable adjustment from the contractor for reduced effort or more achievable performance measures. CAM staff agreed that had the performance measures been increased or made more difficult to achieve, it would have been reasonable for the Department to provide the contractor with an equitable adjustment for increased effort.

Recommendations

We recommend that the Chief of Staff ensure that the Chief Information Officer and Chief Financial Officer take action to:

- 1.1 Establish and implement a corrective action plan and schedule to address the contractor's performance issues and ensure that minimum quality levels of services are provided under the contract.
- 1.2 Based on the corrective action plan implemented, modify the current EDNet contract to reflect equitable adjustment to the Department for any reduced level of effort required to meet performance rating standards.
- 1.3 Ensure that future performance-based contracts include appropriate incentives and disincentives to motivate contractor performance, provide a correlation between performance and payments to the contractor, assure minimum quality levels for all critical services, provide the Department with alternatives to address unsatisfactory contractor performance, and allow for execution of options years for achievement of satisfactory performance levels if such continuation is in the best interest of the Department.

Department Comments

The Department concurred with the finding and recommendations.

FINDING NO. 2 – Department Controls Did Not Ensure That the Contractor Provided the Quality and Services Required in the Contract.

Summary

The Department's controls over contract management did not ensure that the contractor provided the quality and services required in the contract. Specifically, we noted the following:

- a. The Department did not ensure that Category A services were provided at CMMI Level 3 as required in the contract,
- b. The Department did not ensure Category C time and materials staff provided by the contractor met the requirements of the labor categories for which the Department was charged,
- c. The EDNet AMS did not meet all contract requirements, and duplication exists between the EDNet AMS and the Department's AMS operated by the Office of Management (OM), and
- d. The Management Information Dashboard (Dashboard) was not provided timely and did not meet all contract requirements.

This occurred because the Department did not effectively monitor the contractor's compliance with the quality of services to be provided. In addition, Department staff inappropriately provided direction to the contractor that changed the scope, requirements, and/or due dates for some deliverables.

As a result, the Department paid for a quality or level of services it did not receive, an AMS that did not meet requirements and duplicated some activities of other Department contractors, and did not timely receive the Dashboard, a critical tool for monitoring contractor performance with respect to the SLAs. Finally, because a Department official directed the contractor to host and develop the Dashboard on its own servers at its own facilities, the Department may have difficulty enforcing its rights to own the tool it is paying the contractor to develop.

Issue 2a – The Department did not ensure that Category A services were provided at CMMI Level 3 as required in the contract.

Capability Maturity Model Integration helps to integrate traditionally separate functions, set process improvement goals and priorities, provide guidance for quality processes, and provide a point of reference for appraising current processes (for a complete list of CMMI levels, see Attachment 3). The EDNet's IV&V contractor reported in its March 2, 2006, Quarterly Performance Evaluation Report, that the contractor was not complying with the CMMI Level 3 requirements in the contract. The IV&V contractor determined that the EDNet contractor was making significant progress towards CMMI Level 2 compliance in six of six applicable process areas that were to have been provided at CMMI Level 3. The IV&V contractor's determination was based on review of the self-assessment performed by the EDNet contractor's own Quality Assurance Team. In its August 21, 2006, Quarterly Performance Evaluation Report, the IV&V contractor reevaluated this area and concluded the EDNet contractor was making significant progress towards CMMI Level 2 in four of six applicable areas.

We also reviewed monthly CMMI compliance reports submitted by the contractor from November 2005 through April 2006 that indicated the contractor had not yet achieved CMMI Level 2 compliance.

The Performance Work Statement (PWS) of the EDNet contract, Section I.A, "Category A (Firm Fixed Price per Unit Services)," states,

The contractor shall provide firm fixed price managed services billed on a per unit basis at a minimum CMMI Level 3 on day one progressing to Level 4 within three to five (3-5) years. The contractor is responsible for all processes used in the completion of this work, and shall have the capacity to handle multiple critical operational issues at one time.

Category A services include such tasks as maintaining the production servers, providing messaging services, and supporting end users, including assistive technology and help desk operations.

One of the evaluation factors considered for selecting the EDNet contractor was the offeror's plan to provide CMMI Level 3 processes for all Category A work on the first day of the contract. The contractor's technical proposal dated October 7, 2004, incorporated into the EDNet contract PWS, Section 2.2.2, "Implementing Category A Work at CMMI Level 3 on Day One," states, "On Day One [contractor name omitted] will provide ED with well-documented, institutionalized, well-evaluated CMMI Level 3 processes."

The COR stated that she did not have enough time to monitor the contractor's compliance with all contract terms and conditions. In addition, the COR stated that this was her first experience in monitoring a performance-based contract and that training was not provided to OCIO staff in this area. However, CMMI performance was reviewed and reported on by the IV&V and EDNet contractors during performance of the contract. The IV&V contractor's initial analysis of this area was provided to the Department in March 2006, and the EDNet contractor had reported on this area in weekly status reports as early as August 2005. Information was readily available showing noncompliance in this area, but the Department did not take formal action to ensure the required level of service was provided.

Overall, the Department was paying for a quality and level of service it did not receive. The contract required Category A services to be provided at CMMI Level 3 from the first day of the contract, but throughout the entire first year of the contract, the Department was receiving services that did not meet this requirement. These services were paid for on a fixed price per unit basis. The Department did not obtain any consideration from the contractor for providing services below contract specifications, or otherwise modify the contract to allow for this departure from requirements. Since providing this level of service was an evaluation factor in awarding the contract, this contractor may not have been considered if it had not provided assurances that it would provide CMMI Level 3 services.

Issue 2b – Category C staff provided by the contractor did not always meet the requirements of the labor categories for which the Department was charged.

The EDNet IV&V contractor reviewed the resumes of Category C staff to determine whether the staff met the requirements for the labor category in which they were placed. The IV&V results were provided to the Department on March 2, 2006. The requirements for each labor category were defined in the EDNet contractor’s technical proposal. It was determined that 36 of the 79 staff met qualifications (46 percent), 26 partially met qualifications (33 percent), and 17 did not meet qualifications (22 percent). See Attachment 4 for numbers of staff in each category reviewed, and the IV&V findings.

Category C tasks are provided on a time and materials basis under the contract. The PWS Section I.C, “Category C (Sustaining Time and Materials Support),” states, “The contractor shall provide qualified labor on a time and materials basis for continuous staffing of services whose processes will be managed by ED”

FAR Subpart 16.601 states,

- (a) *Description.* A time-and-materials contract provides for acquiring supplies or services on the basis of – (1) Direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit. . .
- (b) *Application.* . . . (1) *Government surveillance.* A time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, appropriate Government surveillance of contractor performance is required to give reasonable assurance that efficient methods and effective cost controls are being used.

The CO stated that the contractor retained staff from the prior contractor on the advice of the Department, but that those staff were not always the best qualified. The CO added that the contractor needed to get people here who knew how to do the job and how to do it well. The COR stated that she did not have enough time to monitor the contractor’s compliance with all contract terms and conditions. In addition, the COR stated that this was her first experience in monitoring a performance-based contract and that training was not provided to OCIO staff in this area. Another OCIO staff member stated that Department personnel raised the issue of staff quality several times with the contractor, but no real solutions were provided.

Even though the staff recommended by the Department may not have been the best qualified, the contractor should not have placed the staff in a labor category for which they did not qualify, and then bill the Department based on the rate for that labor category. A waiver process was established for instances when staff were placed into a labor category for which they were not completely qualified. The Department had approved waivers for six staff members; five that partially met qualifications and one that did not meet qualifications. Waivers had not been provided for the other 37 staff members that did not meet or only partially met requirements.

The COR stated the results of the IV&V were provided to the EDNet contractor and the contractor was asked to address the issue. The COR stated the contractor updated some of the resumes in question, but was uncertain as to whether all issues had been addressed or whether the updated resumes met requirements. She also stated no discussion was held to recoup funds from the contractor for the charges at labor categories for which the staff did not qualify. According to the COR, this issue was not as high a priority as other issues under the contract, so it was not fully pursued.

The EDNet contractor's corrective action plan dated October 6, 2006, stated the following:

. . . [C]ertain parts of staffing process were under [the EDNet contractor's] control but that [the Department's] involvement impacts [the EDNet contractor's] ability to fill vacancies within 10 days as outlined in the Performance Work Statement. . . .

The EDNet contractor's corrective action plan included a proposed change to the contract. Subsequently, the contract was modified effective, October 27, 2006, to state,

The Contractor shall present to the COR a qualified candidate within ten (10) business days of a vacancy occurring. A qualified candidate is one whose education and experience conforms to the education and experience requirements of the labor category.

As a result, the Department did not receive the level of service for which it contracted. For 16 of 17 Category C staff who did not meet qualifications and who did not receive waivers, invoices from inception of the contract through June 30, 2006, show that 16,840 hours and \$1,277,079 were billed for these staff. An additional 29,141 hours and \$2,275,797 were billed for the 21 of 26 staff who only partially met qualifications and who did not receive waivers. While the entire amount of these payments would not necessarily be inappropriate, had the staff been billed at labor categories for which they did qualify, payments by the Department would have been significantly less. Even a difference in labor category rates of \$5/hour would result in savings of \$229,905 for the period for the staff that did not meet or only partially met qualifications.

Issue 2c – The EDNet asset management system did not meet all contract requirements and the system delivered includes duplication of information also maintained by the Office of Management.

We found that specific tasks outlined in the EDNet PWS were also assigned to other Department organizations in previously existing guidance. In addition, the AMS developed by the EDNet contractor was not provided timely and did not meet all contract requirements. We also found that the information being tracked by the EDNet contractor duplicates some information included in OM's AMS.

The EDNet PWS states, "Asset management is intended to provide ED with a complete an [sic] accurate count of its IT inventory, warranties, and is to be used in its IT refresh cycle."

Specific tasks listed in the PWS under asset management include:

- Tracking, reporting, and disposal, as required, of resources and general-purpose computer assets and maintenance agreements of the assets. Managing the disposal and disbursements of IT equipment to schools and disbursement of IT equipment meeting the minimum EDNet specifications for the Department of Education's PCs R Us.
- Operating and maintaining a central processing and secure storage facility for surplus IT equipment.
- Accountability for all IT assets and participate in the annual physical inventory and reconciliation process.
- Establishing, updating, and maintaining an asset inventory database.
- Tracking all ED assets (location, asset ID, serial number, finances) and ensuring service contracts are in force as needed to meet SLAs.
- Developing and documenting asset management policies and procedures.

Office of Management Handbook OM-05 (Handbook), *Property Management Manual*, dated December 31, 2002, includes all of the above items as responsibilities of OM's Property Management and Inventory Team (PMIT), with the exception of the tasks related to the PCs R Us program and equipment service contracts, that are the responsibility of OCIO. The Handbook provides policies and procedures for the management and administration of the Department's plant, property and equipment, and for establishing and maintaining a compliant and effective property control system. The Department has assigned overall management of its equipment to Facilities Services in OM. Contractor staff is also used to provide IT property management tasks in OM.

Department officials stated at the time the requirements for the EDNet contract were being developed, OM was seeking a new asset management software solution. OM selected a vendor and began working to implement the software for its AMS in Fiscal Year (FY) 2005. The new OM AMS was implemented in October 2005. The EDNet contract was awarded April 26, 2005.

According to Department officials, the EDNet asset management tasks were not combined with OM's asset management responsibilities due to differing concepts of how the EDNet asset information would be used and the intention to use the EDNet AMS to support the contractor's billing. Department officials also reported there was reluctance on the part of OM PMIT staff to combine efforts with the EDNet asset management system or to use one system to validate the other.

The EDNet contractor stated that originally the EDNet AMS was to be provided upon transition from the prior contractor, or as of July 1, 2005. The contractor stated that since the originally intended AMS could not be utilized, the delivery date for the AMS was revised by OCIO to March 2006, and then revised again to October 2006. None of these changes to deliverable dates or the scope of the work under this task were formally made to the contract through a modification.

Also, since the originally intended AMS could not be utilized, the contractor received initial information from the OM AMS to serve as an interim solution while the new system was being developed. As result, the current EDNet's AMS and OM's AMS contain similar information related to IT equipment.

The EDNet AMS was included in the fixed price portion of the contract. Since the scope of effort and delivery date of the product were never formally changed, and an adjustment in contract price was not received, the Department has paid for services it did not fully receive.

Using the OM AMS to validate information in the EDNet AMS would help ensure the Department is not being billed for items that are not in use. Due to past problems noted with the OM AMS, the Department is currently undergoing an inventory to validate all OM AMS information and provide an accurate inventory. The Department is also obtaining the services of a database administrator to expand the fields used in the OM AMS.

Issue 2d – The Management Information Dashboard was not provided timely and did not meet all contract requirements.

The Dashboard was not provided timely and did not meet all contract requirements. The Dashboard was intended to function as an automated data collection tool to assist Department managers in making efficient and effective use of their resources. The Dashboard was intended to provide items such as: a daily snapshot of how the Department and the contractor are delivering IT operations; historical information; and trend analysis and correlation. We found that the Dashboard was provided six months after its original due date and was hosted on the contractor's system, at the direction of a Department official, which could create difficulty for the Department in enforcing its ownership rights. The Department rejected the delivered Dashboard because it did not meet all contract requirements, so the Department still lacks a fully functional tool for monitoring SLA performance.

FAR Subpart 43.102(a) states,

Only contracting officers acting within the scope of their authority are empowered to execute contract modifications on behalf of the Government. Other Government personnel shall not – (1) Execute contract modifications; (2) Act in such a manner as to cause the contractor to believe that they have authority to bind the Government; or (3) Direct or encourage the contractor to perform work that should be the subject of a contract modification.

OCFO Directive 2-108, *Contract Monitoring for Program Officials* (Directive), effective September 16, 2004, and updated March 30, 2006, Section VI.E.3, states the COR,

Provides technical direction to contractors as necessary and appropriate, depending on the type and terms of the contract. The individual named in the contract as the COR is the sole person (other than the CO) with the authority to provide technical direction.

Section VII.H of the Directive states technical direction should be kept to a minimum, must not have the effect of making decisions reserved for the CO, and must be in writing and on file.

EDNet contract Section G.1.B states,

Neither the COR nor any other government employee, except the Contracting Officer, is authorized to make any commitments or otherwise obligate the Department of Education or authorize any changes that affect contract price, terms or conditions. . . .

The EDNet contract PWS, Section III, "Scope of Work," under "Expected Investment in Tools," states,

It is understood that ED will own intellectual property to all data, software and the licensing of these tools. These tools include: (1) Management Information Dashboard

The problems with the Dashboard occurred because OCIO staff inappropriately provided direction to the contractor on development of the Dashboard without formalizing those changes through contract modifications. The CO stated that he had not received any requests from OCIO to change the requirements for the Dashboard.

Delay in Delivery of the Dashboard

The Department delayed development and implementation of the Dashboard. The EDNet contractor's technical proposal, Section 9.1, incorporated into the PWS for the EDNet contract, included development of a Dashboard to collect information on the SLAs to provide management with the necessary metrics to run operations. The technical proposal states the initial production of the Dashboard was to be provided within one month of transition, and complete production within six months of transition. This schedule would have provided initial production by August 1, 2005, and complete production by January 1, 2006.

Instead, the former OCIO Program Manager communicated to the EDNet contractor in an email dated June 14, 2005, that the Department would provide the specifications for the Dashboard. In a letter to the Department dated March 21, 2006, the contractor stated that it was,

. . . [R]eady and capable of delivering to its initial production version of the Management Dashboard on the proposed delivery date. However, per the request of [the OCIO Program Manager], we were instructed to delay initial production of the Management Dashboard until the Department provided its own specifications.

OCIO engaged the IV&V contractor to develop specifications for the Dashboard, and the IV&V contractor provided the specifications to the EDNet contractor on December 29, 2005. The EDNet contractor provided initial production of the Dashboard on January 26, 2006, and

complete production on June 29, 2006, six months after the deliverable was originally due under the PWS. Changes in the scope of the work (from the EDNet contractor developing the specifications, to the Department providing the specifications through the IV&V contractor) and due date were not formalized in the contract.

Hosting and Ownership of the Dashboard

An email from the former Deputy CIO for the Department to the EDNet contractor's Program Manager, dated November 29, 2005, permitted the contractor to host the Dashboard on its own system and expressed the view that the Department may be relinquishing its ownership of all data and resulting hardware and software from the development of the Dashboard. The email states,

Please use your server and your [software] sw . . . to accomplish this goal. Please work with [the IV&V contractor] for the design of the [application] app – please show them the dashboard you have already developed for other [organizations] org to include [Office of Federal Student Aid] FSA. I realize this means that we don't own this [hardware] hw or sw or any customizations you make – and if you are not the vendor on this contract that this sw, hw and customization for a dashboard will leave with you.

The COR stated she was unsure why this change was made and why the dashboard could not use a Department server. She stated that she was often excluded from meetings between the Department's program manager and the contractor.

Due to delays in development of the Dashboard, the Department did not timely receive a critical tool for monitoring contractor performance with respect to the SLAs. Because the Department engaged another contractor to develop the specifications for the Dashboard, additional costs were incurred. Finally, because the Department provided direction to the contractor that allowed it to host and develop the Dashboard on its own servers, the Department may have relinquished its rights to own the tools it is paying for the contractor to develop. The server for the dashboard is being warehoused at the contractor's facility in Virginia, and the transmission of data may not be adequately protected outside the Department's systems.

Recommendations

We recommend that the Chief of Staff ensure that the Chief Information Officer and the Chief Financial Officer take action to:

- 2.1 Ensure the contractor provides Category A services at CMMI Level 3, or modify the contract, including a reduction in price for lesser quality services, to permit the contractor to provide services at the lower levels.
- 2.2 Ensure the Category C staff meet the qualifications for the labor categories in which they are charged.

- 2.3 Determine the labor categories that the staff identified by the IV&V as not meeting or partially meeting qualifications should have been placed in, and calculate the amounts that should have been charged for their services from the beginning of the contract to date. Instruct the contractor to adjust a future invoice to reclaim the amounts improperly paid.
- 2.4 Ensure that OCIO staff do not provide direction to the contractor that changes the scope, delivery dates, or other contract terms and conditions without going through the CO.
- 2.5 As appropriate, formalize the changes that have been made and seek equitable adjustments for any concessions made on the part of the Department.
- 2.6 Reinforce to the contractor its responsibility in ensuring that any direction provided that impacts the scope, delivery dates, or other terms and conditions, is provided by the CO prior to making any changes.
- 2.7 Work with OM to develop and implement a plan to combine or coordinate the EDNet and OM AMSs to reduce duplication of effort and data. In the interim, match items billed under the EDNet contract to OM's AMS to ensure only appropriate items are being billed.
- 2.8 Confirm that ownership of the Dashboard remains with the Department. If possible, take action to transition the Dashboard to the Department's systems so that the Department will not lose control of this tool in the event of a change in contractors.
- 2.9 Evaluate the security of information passing through the Dashboard, outside the Department's systems, to ensure sensitive data is not vulnerable. Take appropriate actions to ensure the security of this data.
- 2.10 Provide training to the COR, and other involved OCIO staff and managers, in monitoring performance-based contracts.

Department Comments

The Department concurred with the finding and recommendations.

FINDING NO. 3 – Contract Administration Practices Were Not Effective.

Summary

The contract administration practices followed for the EDNet contract were not effective in ensuring that the contractor complied with the terms and conditions of the contract. Specifically, we found,

- a. A contract monitoring plan was not developed,
- b. Deliverables under the contract were not routinely reviewed and recommendations were not made to the CO for acceptance or rejection,
- c. The COR did not prepare and submit to the CO written evaluations of contractor-submitted reports, and
- d. Contract files did not include complete records of actions taken under the contract.

This occurred because the Department did not ensure appropriate resources were assigned to manage and oversee contract administration, and because Department staff did not comply with Federal regulations and Department policies and procedures.

As a result, the Department did not have complete documentation of the contractor's performance and its monitoring of the contract. The Department lacks assurance that the contractor fully complied with the terms and conditions of the contract and provided all services and deliverables required and for which the Department paid. In the event of a future dispute, the Department's position would be weakened by this lack of documentation. Also, by not enforcing some contract terms, the Department may be setting a precedent that could make it more difficult to enforce other contract terms.

Office of Federal Procurement Policy (OFPP), Policy Letter 93-1, *Management Oversight of Service Contracting*, reissued May 18, 1994 (Policy Letter), “. . . establishes Government-wide policy, assigns responsibilities, and provides guiding principles for Executive Departments and agencies in managing the acquisition and use of services.”

Section 7c of the Policy Letter states,

When contracting for services, in particular for highly specialized or technical services, agencies should ensure that a sufficient number of trained and experienced officials are available within the agency to manage and oversee the contract administration function. This especially applies to such services as management and professional support, studies, analyses, and evaluations, and engineering and technical support. Agency officials need to make sound judgments on . . . whether the contractor is performing according to the contract terms and conditions . . . Agency officials must also provide an enhanced degree of management controls and oversight when contracting for functions that closely support the performance of inherently Government functions.

FAR Subpart 37.5 implements OFPP Policy Letter 93-1. Subpart 37.503 states, “The agency head or designee should ensure that . . . (d) Strategies are developed and necessary staff training is initiated to ensure effective implementation of the policies in 37.102.” Subpart 37.102 is entitled, “Policy,” and provides requirements for using performance-based acquisition for services. FAR Subpart 37.102(h) states,

Agencies shall ensure that sufficiently trained and experienced officials are available within the agency to manage and oversee the contract administration function.

Issue 3a – A contract monitoring plan was not developed for the EDNet contract.

A contract monitoring plan (CMP) was not developed for the EDNet contract. The EDNet contract was awarded on April 26, 2005, but as of September 2006, a CMP had not yet been developed. Currently, the COR is assisted in monitoring the contract by another OCIO staff member on a part-time basis, OCIO managers, and by the IV&V contractor. However, an overall plan to coordinate the activities of Department staff and contractors was not developed to ensure the contract was appropriately monitored.

OCFO Financial Management and Accountability Procedure (Procedure) CO-111, *Writing and Implementing a Contract Monitoring Plan*, effective May 31, 2005, states,

Contracts and Acquisition Management (CAM) policy is that every contract must include a Contract Monitoring Plan (CMP) describing the steps the Government will take to monitor contractor performance.

The procedure requires the CO, Contract Specialist (CS), or COR to write a plan detailing how contract performance will be monitored throughout the life of the contract. It further requires acquisition team members to meet to review the CMP.

The CMP is to be written before contract award. However, in an email to all OCFO CAM staff on December 16, 2005, CAM management extended the requirement to all existing contracts, stating that by January 31, 2006, CAM staff were required to write a CMP for each active contract or task order.

The CO stated that a CMP was developed as a deliverable under the IV&V contract. The CO believed the IV&V CMP covered all monitoring activities for Department and contractor staff. However, we found the IV&V plan did not include the responsibilities of the Department staff and was limited to only the IV&V contractor’s responsibilities. The IV&V CMP did not cover 7 of 12 activities outlined in the Procedure – specifically, accepting/rejecting deliverables, entering receipts for deliverables, reviewing invoices, paying invoices, communicating with contractors, processing modifications, and administering subcontracting requirements.

In addition, the IV&V contract was not awarded until September 30, 2005, and the IV&V CMP was not established until December 5, 2005. From the award of the EDNet contract, effective

May 1, 2005, seven months elapsed prior to development of the IV&V CMP. For that time period, no plan was in effect for monitoring the EDNet contract.

Without assessing risk and developing a CMP to address the risks in the EDNet contract, the Department lacks assurance that the contractor is adhering to the requirements of the contract, and that the Department is receiving intended products and services.

Issue 3b – Deliverables under the contract were not routinely reviewed and recommendations were not made to the CO for acceptance or rejection.

Documentation of deliverable receipt and acceptance was not found in either the COR or CO files. There was no supporting documentation to show if all deliverables were received, received timely, and met contractual requirements.

We asked the COR to provide a copy of any deliverable tracking schedules she used to ensure the contractor provided all required deliverables. The COR had not developed such a schedule, but provided a schedule prepared by the contractor that summarized deliverable status. In July 2006, the IV&V contractor developed a compliance matrix of deliverables required under the contract. This matrix included 1,948 items in 19 deliverable categories. OCIO staff provided us with this matrix for 5 deliverable categories that included 817 items. We judgmentally selected 32 items (4 percent) from this list to determine whether the deliverables were received timely and met contract requirements.

While the COR provided us with all of her electronic files and emails, we could not determine which items represented final deliverables, or when the documents were received (see further discussion of contract file documentation in Issue 3d of this section). We then asked the COR to provide us with copies of the documents received for these 32 items, along with information to show the date received and acceptance by the Department, if any. According to the COR, 24 of the 32 deliverables requested (75 percent) were not delivered. Of the eight that were delivered, four were related to the Management Dashboard and Firewall Assessment, which were rejected by the Department for not meeting contract requirements. Included as not delivered were three deliverables originally developed by the former EDNet contractor that the current contractor had not updated or revised as required.

FAR Subpart 46.501 states,

Acceptance constitutes acknowledgment that the supplies or services conform with applicable contract quality and quantity requirements....Supplies or services shall ordinarily not be accepted before completion of Government contract quality assurance actions....Acceptance shall ordinarily be evidenced by execution of an acceptance certificate on an inspection or receiving report form or commercial shipping document/packing list.

FAR Subpart 46.502 states,

Acceptance of supplies or services is the responsibility of the contracting officer.

Section VI.E.5-6 of the Directive states, the COR:

Reviews and makes timely recommendations to the CO as to the approval, disapproval, or other action to take concerning a contractor's submission of (or failure to submit) payment requests, deliverables, interim or final progress and financial reports, or any other requirements of the contract. . . .

Immediately reports contractor performance problems to the CO/CS.

Section VII.A.4 of the Directive states,

The CO relies heavily on the COR to collect monitoring information and in make [sic] related analyses and recommendations for administrative action. This information and analysis must be fully documented and reported promptly to the CO to protect the Government's interests, and to ensure that the program office will have the facts necessary to make informed decisions about the contract and the program in general.

Section VII.N.1-3 of the Directive states that only a CO can formally accept or reject deliverables, and that it is the CO's responsibility to take formal action to reject the deliverable. Formal action can include written notification to the contractor and rejection of deliverable payment, if applicable.

OCFO Procedure CO-8, *Procedure for Receiving Goods and Services in the Contracts and Purchasing Support System (CPSS)*, dated March 15, 2003, includes the following definitions:

Acceptance - acknowledgement by the government that goods and services received conform with the requirements of the contract. The contracting officer is responsible for acceptance of goods and services. The COR inspects and recommends acceptance.

Constructive Acceptance - A concept in which acceptance is deemed to have occurred on the 7th day after the contractor delivered goods or performed the services, unless a disagreement over quantity, quality, or contractor compliance with a contract requirement exists.

The May 12, 2005, memorandum from the CO appointing the COR to the EDNet contract, signed by both parties on May 20, 2005, includes the following as the COR's responsibility:

Monitor the contractor's performance to ensure compliance with the technical requirements of the contract including inspection and testing of deliverables and evaluation of reports. Recommend final acceptance or rejection to the CO.

The COR stated that she was not aware of any analyses performed to determine whether deliverables met contract requirements. She stated she feels overwhelmed with contract monitoring responsibilities and does not have enough time to both review invoices and

ensure the contractor is complying with contract terms. The CO stated he is copied on deliverables provided to the COR, and the COR provides acceptance information to him only on an exception basis. If the COR does not provide direction, the CO assumes the deliverables meet requirements. The CO stated after seven days, constructive acceptance of deliverables occurs.

Without formal review and acceptance, the Department cannot ensure the contractor is meeting requirements and that inappropriate deliverables have been constructively accepted. If deliverables do not meet requirements, the Department may not be receiving the products and services paid for under the contract. Inadequate inspection and lack of formal acceptance or rejection of deliverables may set a precedent of not enforcing contract terms, making it more difficult for the Department to enforce other contract terms. Also, there is no assurance that all the deliverables are delivered as required by the contract. As seen from our limited review of 32 deliverables, the contractor had not provided 24. The Department is not getting the products and services for which it is paying under the contract.

Issue 3c – The COR did not prepare and submit written evaluations of contractor-submitted reports.

The COR did not prepare and submit written evaluations of contractor-submitted reports as required. We identified 43 different reports to be submitted monthly, quarterly, or semi-annually under the contract. The COR stated communication with the CO related to progress reports is rarely made and the evaluation, if any, is informal. As a result, this tool for contract monitoring is not being effectively used.

FAR Subpart 42.1101 states,

Production surveillance is a function of contract administration used to determine contractor progress and to identify any factors that may delay performance. Production surveillance involves Government review and analysis of – (a) Contractor performance plans, schedules, controls, and industrial processes; and (b) The contractor's actual performance under them.

FAR Subpart 42.1106(b) states that contract administration offices shall review and verify the accuracy of contractor reports and advise the contracting officer of any required action.

Section VII.G.2.a.ii of the Directive states,

Understand and Evaluate the Performance Reports – The COR must read promptly all progress reports submitted by the contractor. Failure to read the reports negates their considerable value in keeping the Government up to date.

If a report's language is vague or unclear, the COR should ask the contractor for clarification. The contractor may be trying to 'gloss over' a problem. If the technical content of the report lies outside the COR's expertise, a technical specialist within the Department should be called in to interpret the report.

The COR must make a written evaluation of each report. Depending on the type of contract and relative importance of the report, the evaluation might be either rigorous or reasonably informal.

The May 12, 2005, memorandum from the CO appointing the COR to the EDNet contract, and signed by both parties on May 20, 2005, includes the following as the COR's responsibility,

Review progress and financial reports, invoices, vouchers, and recommend approval or disapproval by the CO.

The COR stated written evaluations of contractor-submitted reports are done through the CPSS when she approves invoices. However, we reviewed the information in CPSS and found that there were no comments for 12 of 31 (39 percent) invoices reviewed. Of the 19 invoices that included comments, 15 did not identify the author of the comments. None of the comments identified the reports reviewed and conclusions of the review. This information does not satisfy the requirements of a written evaluation. The CO stated the COR contacts him via email as incidents arise, but does not provide him with written evaluations of the contractor's reports. This also does not meet the requirements of the Directive to provide a written evaluation of each report.

Detailed review of contractor-submitted reports, whether by the COR or other staff with results provided to the COR, provide the Department with an effective monitoring tool and potentially early detection of developing problem areas. Feedback to the CO is critical to ensure the CO is kept informed of any developing issues.

Issue 3d – Contract files did not include complete records of actions taken under the contract.

Contract files did not adequately document all significant actions and monitoring. Specifically we noted,

- Neither the COR nor CO files contained documentation of deliverable receipt and acceptance,
- Technical direction provided was not documented,
- Significant discussions with the contractor regarding billing accuracy were not documented, and
- Electronic data maintained by the COR was not easily identifiable and readily retrievable.

Documentation of Deliverable Receipt and Acceptance

As stated above under Issue 3b, the COR did not maintain documentation of deliverable receipt and acceptance. As discussed below, the COR maintained all email correspondence and files received, but we could not determine from this information which items represented final deliverables and when the items were received.

Documentation of Technical Direction Provided

As discussed in Finding 2, Department staff provided verbal or technical direction to the contractor with respect to tasks under the contract, primarily the asset management system and the Management Dashboard. This direction was not fully documented in contract records, and the CO was not formally informed of changes that were being made.

Significant Discussions with the Contractor Regarding Billings

The COR reported she experienced difficulties with the accuracy of contractor billings during the early months of the contract. She stated she had numerous discussions with less senior representatives of the contractor, but eventually spoke with a vice president to resolve the problem. The COR's files did not have documentation of that discussion.

Electronic Data Maintained by the COR

We also noted that the COR's file organization could be improved. A great deal of the COR's information was maintained electronically. While this is an acceptable format per the FAR, it was difficult to identify deliverables, reports, and other information. The COR provided us with three CDs, which included 5,088 email messages and 662 other files that although organized to some extent in subfolders by subject areas, did not indicate which items under subfolders represented the final versions of the documents. For example the files under the "deliverable" subfolder did not indicate which files were the final versions of deliverables provided or when the deliverables were received. In addition, the information was stored on the COR's email archives and personal folder in the network drive, limiting access to information that may be needed by others, should the COR be unavailable when information is required.

FAR Subpart 4.801 states,

- (a) The head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions.
- (b) The documentation in the files...shall be sufficient to constitute a complete history of the transaction for the purpose of – (1) Providing a complete background as a basis for informed decisions at each step in the acquisition process; (2) Supporting actions taken; (3) Providing information for reviews and investigations; and (4) Furnishing essential facts in the event of litigation or congressional inquiries. . . .

FAR Subpart 4.802 states,

- (c) Files must be maintained at organizational levels that ensure – (1) Effective documentation of contract actions; (2) Ready accessibility to principal users; (3) Minimal establishment of duplicate and working files; (4) The safeguarding of

classified documents; and (5) Conformance with agency regulations for file location and maintenance.

(f) Agencies may retain contract files in any medium (paper, electronic, microfilm, etc.) or any combination of media, as long as the requirements of this subpart are satisfied.

Section VII.K of the Directive states,

1. The purpose of detailed record-keeping is to build a complete history of each project so that information is not lost or forgotten, and so that others – e.g., one’s supervisor, a new COR assigned to the project, an auditor or perhaps a court of law – can get a clear picture of what has occurred during the life of the contract. (If a dispute occurs, it could be several years between the event and its resolution. The COR and the program office file could be called upon at a very late date.) Files and records should be maintained in an orderly fashion with an index noting documents contained in files.
2. The COR should document every significant action taken or conversation held in the course of monitoring or administering a contract. The judgment of what is significant is left to the COR although too much documentation is usually better than not enough. (Emphasis in original.)
3. Any monitoring action or conversation, which discloses that the contractor is either failing to perform as required or is failing to make sufficient progress, must be documented....
4. When the COR judges actions or conversations worthy of documentation, such documentation must be placed in the program office contract file, and a copy must be sent to the CO for entry into the official file. . .
6. Any substantive instruction or recommendation made by the CO to the COR must also be made a part of the official file. Such documentation is necessary to prevent confusion concerning “apparent authority” (see Section VII.B.2) and guard against misunderstandings among the CO, COR and contractor.

Section VII.Q of the Directive states,

1. The Government’s record for a contract is maintained primarily in two places: In the program office, and in the contracting office.
2. The program office file, maintained by the COR, should contain all information needed by the COR to carry out his or her contract monitoring and managing responsibilities....

3. The file maintained by the CO is the Government's "official file" and must contain all information having even the slightest bearing on the obligations of the two parties to the contract and their performance against those obligations.

The Department did not ensure that a CMP was developed, or that the CMP developed by the IV&V contractor included the responsibilities of all parties. The Department had not established a process to formally document deliverable receipt, review, and acceptance. The COR stated that she felt overwhelmed by her contract monitoring responsibilities and did not have time to ensure the contractor met all contract requirements.

Without an organized approach to contract monitoring, through development of a CMP that covers all responsibilities, the Department cannot ensure that all deliverables were received, on time, and met contract requirements. The Department's interests in the event of a dispute may be harmed without complete documentation of products provided by the contractor and the Department's determination of the acceptability of those products.

Without sufficient documentation of OCIO's decisions and actions on the contract, the Department's interests may not be sufficiently protected. Lack of documentation in the event of a dispute or future action may harm the Department's position. Also, without sufficiently organized contract documentation, whether in hard copy or electronic, available to all parties that need it, the Department may be unable to or experience difficulty in identifying, retrieving, and reviewing data should the need arise.

Recommendations

We recommend that the Chief of Staff ensure that the Chief Information Officer and the Chief Financial Officer take action to:

- 3.1 Immediately develop and implement a contract monitoring plan for the EDNet contract to include the roles and responsibilities of all involved OCIO staff, OCFO/CAM staff, and the IV&V contractor. Conduct a meeting with all involved parties to ensure that all are familiar with their responsibilities, as required by the OCFO procedure.
- 3.2 Ensure that appropriate resources, whether Department staff, IV&V, and/or other contract assistance, are assigned so that contract-monitoring responsibilities can be effectively accomplished.
- 3.3 Establish a process to track receipt of deliverables, review the deliverables for compliance with contract requirements, and provide written recommendation to the CO for acceptance or rejection of deliverables. Ensure that constructive acceptance does not occur and harm the Department's interests under the contract.
- 3.4 Ensure that written evaluations of contractor submitted reports are performed and provided to the CO.

- 3.5 Periodically determine the reliability of performance reports provided by the contractor by verifying the information contained in the reports.
- 3.6 Establish and implement a process to ensure that all significant actions and monitoring under the contract are adequately documented, organized, and accessible. Ensure that CAM and program office files contain complete information, whether in electronic format or hard copy, to constitute a complete history of the contract that is accessible to all involved parties.

Department Comments

The Department concurred with the finding and recommendations.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to determine the effectiveness of the Department's management of the EDNet contract. To accomplish our objective, we performed a review of internal control applicable to the Department's management of the EDNet contract. We reviewed applicable laws and regulations and Department policies and procedures. We conducted interviews with Department officials to gain an understanding of the contract management process and specific management of the EDNet contract. We also conducted interviews with the EDNet contractor and the IV&V contractor to obtain information about various aspects of contract performance.

We reviewed the EDNet contract, statement of work, and business and technical proposals submitted by the contractor. We also reviewed the IV&V contract. We evaluated information in the COR's files, including electronic data and email, and in the official contract file maintained by CAM. We performed in-depth reviews of two significant deliverables – the Management Information Dashboard and the EDNet Asset Management System – and evaluated reports provided to the Department by the contractor and IV&V.

The scope of our review included analysis of information from the competition of the EDNet contract, from January 6, 2005 through April 26, 2005, and analysis of performance and deliverables applicable to the EDNet contract during the period May 1, 2005, through October 6, 2006. The original listing of contract deliverables from the IV&V Compliance Matrix (CMX) included a total of 1,948 deliverables from 19 deliverable categories. OCIO provided OIG with the CMX for 817 deliverables in five major categories. We judgmentally selected a sample of 32 deliverables from this list, based on criticality level in the EDNet contract, to review the Department's process for receiving and accepting/rejecting deliverables. Judgmental sampling was used since results would not be projected as separate deliverable requirements varied significantly and were not comparable.

The scope of our review also included contract payments made during the period May 1, 2005 through July 31, 2006. We extracted the listing of payments from the Financial Management Support System (FMSS), a component of the Education Centralized Automated Processing System (EDCAPS). We included all 31 invoices in our review for the scope period, totaling \$20,609,890 in payments made by the Department.

To complete our review, we relied on computer-processed data obtained from EDCAPS/FMSS representing contract payments from May 1, 2005 through July 31, 2006. This data was also recorded in the Department's CPSS and compared by OIG staff to the payments in EDCAPS/FMSS. We also verified the completeness and accuracy of the data by reviewing EDNet contractor invoices in the CO and COR files to validate the payment amounts recorded in EDCAPS/FMSS and CPSS. Based on our testing, we determined the listing of contract payments was complete for the purposes of our audit.

The fieldwork for our audit was conducted at Department offices in Washington, DC, during the period July 2006 through November 2006. We held an exit conference with OCFO and OCIO staff on November 15, 2006. Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of the review described above.

Attachment 1: Original Service Level Agreements

SLA	Description	Disincentive Level	Reporting Frequency	Maximum Award Point Deduction	Included as Modified SLA #
1	Customer Satisfaction (Touch Survey)	None ³	Daily	N/A	N/A
2	Customer Satisfaction (Manager Survey)	5 points	Weekly	N/A	N/A
3	Customer Satisfaction (Independent Survey)	20 points	Semi-Annually	N/A	N/A
4	Acceptable Time to Notify ED of a Security Event	None	Daily	N/A	10
5	Acceptable Time to Respond to CERT [Computer Emergency Readiness Team] / FedCIRC [Federal Computer Incident Reporting Center]Alert	None	Daily	N/A	11
6	Acceptable Time to Complete CERT / FedCIRC Tasks	High	Daily	108.0	11
7	Acceptable Time from Anti-Virus Update Release to Full Distribution	High	Weekly	33.6	7
8	Acceptable Time to Release Virus Definitions Update	Low	Weekly	9.6	8
9	Number of Virus Penetrations to the Network That Cause a Network Outage	High	Weekly	28.8	12
10	Acceptable Time to Communicate a Major Emergency Event	None	Monthly	N/A	None
11	Asset Management – Hardware and/or Software Inventory Accuracy	None	Weekly	N/A	None
12	Production Server Availability - Criticality 1	None	Monthly	N/A	1
13	Production Server Availability - Criticality 2	Low	Weekly	1,660.8 ⁴	1
14	Production Server Availability - Criticality 3	Medium	Weekly	1,166.4	1
15	Production Server Availability - Criticality 4	High	Weekly	5,299.2	1
16	Messaging Server Availability	High	Monthly	54	3-5
17	System Restoration in Non-Disaster Recovery Situations.	Various	Daily	25,308	13
18	Department Authorized Disaster Recovery	High	Monthly	10.8	None
19	Timeliness of Backups	Low	Monthly	3.6	9
20	Timeliness of Desktop System Installation	Medium	Weekly	14.4	14

³ Although identified as SLAs, the surveys identified as numbers one through three were not considered SLAs for scoring purposes. They were considered to be part of the second set of 50 points in the Annual Performance Review Plan.

⁴ Items numbered 13 through 17 had considerably higher possible award deductions because they measured performance on an individual server basis within each category.

SLA	Description	Disincentive Level	Reporting Frequency	Maximum Award Point Deduction	Included as Modified SLA #
21	Timeliness of Move, Add or Change Software or Hardware a Desktop System Upon Appropriate Department Request	Medium	Monthly	3.6	15
22	Timeliness of Establishment of Individual User Accounts	None	Weekly	N/A	16
23	Timeliness of EDNet Password Reset	None	Weekly	N/A	16
24	File Restoration (Non-Disaster Recovery).	None	Weekly	N/A	16
25	Timeliness of Disabling User Accounts (Including E-mail).	None	Weekly	N/A	16
26	Timeliness of Priority 1 Customer Support	High	Weekly	28.8	17
27	Timeliness of Priority 2 Customer Support	Medium	Weekly	14.4	18
28	Timeliness of Priority 3 Customer Support	Low	Weekly	9.6	19
29	Timeliness of Helpdesk Call Answer	None	Daily	N/A	20
30	Helpdesk Call Abandonment Rate	None	Daily	N/A	21
31	Helpdesk First Call Resolution	High	Daily	108	22
32	Follow-On Calls due to Problem Repeated after Initial Fix Failed	High	Daily	108	23
33	Call Center Availability	None	Daily	N/A	None
34	Category B Service Variance to Budget	High	Weekly	28.8	None
35	Category B Variance to Schedule	High	Weekly	28.8	None
36	Category B Deliverable Quality	None	Monthly	N/A	None
37	Move, Add, Change or Delete Telecom – Software	None	Daily	N/A	24
38	Move, Add, Change or Delete Telecom – Hardware and Wire	None	Daily	N/A	None
39	Network Availability	High	Daily	108	2
40	Response Time – Network	High	Daily	108	None
41	Variance to Schedule (Quality Assurance)	None	Weekly	N/A	None
42	Mean Time to Repair – Applications	None	Weekly	N/A	None
43	Availability – Custom Reports	None	Daily	N/A	None
	Total			34,243	

Attachment 2: Modified Service Level Agreements

SLA	Description	Disincentive Level	Reporting Frequency	Maximum Award Point Deduction
1	Server Availability	High	Weekly	5
2	Network Availability	High	Weekly	5
3	Outlook Availability	Medium	Weekly	3
4	Blackberry Availability	Medium	Weekly	3
5	Unity Availability	Medium	Weekly	2
6	Qualified Personnel Availability	Medium	Daily	5
7	Anti-Virus Update (Software Version)	High	Weekly	2
8	Virus File Release (Signature Files)	Low	Weekly	3
9	Timeliness of Backups	Low	Weekly	1
10	Timeliness of Notification of Issue & Security Events	High	Daily	3
11	Response to CERT/FedCIRC Alerts & Tasks	High	Weekly	1
12	Number of Virus Penetrations to the Network That Cause a Network Outage	High	Weekly	1
13	Service Restoration (Non-Disaster Recovery)	Medium	Daily	1
14	Timeliness of Desktop System Installation	Medium	Weekly	1
15	Timeliness of Move, Add or Change Software or Hardware a Desktop System Upon Appropriate Department Request	Low	Weekly	1
16	Maintain User Accounts (Email, Password Resets, Disable User Accts, File Restorations)	Low	Weekly	1
17	Priority 1 Customer Support	High	Weekly	1
18	Priority 2 Customer Support	Low	Weekly	1
19	Priority 3 Customer Support	Low	Weekly	1
20	Helpdesk Call Answer	Low	Daily	1
21	Helpdesk Call Abandonment Rate	Low	Daily	1
22	Helpdesk First Call Resolution	Medium	Daily	1
23	Follow-On Calls due to Problem Repeated after Initial Fix Failed	High	Daily	3
24	Move, Add, Change or Delete Telecom - Software	Low	Weekly	1
25	Timely Production of Required Reports	Medium	Weekly	1
26	Complete and Accurate Process Documentation	Low	Daily	1
	Total			50

Attachment 3: Capability Maturity Model Integration (CMMI) Levels

CMMI Levels	Definition
Level 0	<i>Unaware.</i> No awareness of a need to improve IT service delivery.
Level 1	<i>Initial Phase.</i> IT service delivery is characterized as ad hoc, and occasionally even chaotic. Few processes are defined, and success depends on individual effort and heroics.
Level 2	<i>Repeatable.</i> Basic service management processes are established. The necessary discipline is in place to repeat earlier successes on similar services with similar service levels.
Level 3	<i>Defined.</i> The IT service processes are documented, standardized, and integrated into standard service processes. All services are delivered using approved, tailored versions of the organization's standard service processes.
Level 4	<i>Quantifiable Managed.</i> Detailed measurements of the IT service delivery process and service quality are collected. Both the service processes and the delivered services are quantitatively understood and controlled.
Level 5	<i>Optimization.</i> Continuous process improvement is enabled by quantitative feedback from the processes and from piloting innovative ideas and technologies.

Attachment 4: Category C Staff Labor Categories and Qualifications

<u>Labor Categories</u>	Total Reviewed	Qualified	Partially Qualified	Not Qualified
Application Engineer	1		1	
Application Engineer – Senior	1		1	
Business Analyst – Senior	2	1		1
Communication Analyst – Intermediate	3		2	1
Communication Analyst – Senior	10	2	7	1
Communication Installer – Senior	1	1		
Computer System Installation Specialist	1			1
Data Communication Manager	3	2		1
Database Management Specialist	1			1
Database Management Specialist – Senior	1		1	
Engineering Aide	3	2		1
Enterprise Resource Planning Analyst/Designer	3	3		
Functional Analyst	3	2	1	
Functional Analyst – Senior	6	1	2	3
Hardware Installation Technician – Senior	1			1
INFOSEC [Information Security] Systems Specialist – Senior	1	1		
INFOSEC Systems Technical Specialist	2	2		
Information Engineer – Senior	2	2		
Learning Architect	1		1	
Network Engineer	1		1	
Network Engineer – Senior	2	2		
Principal Business Process Reengineering Specialist	1		1	
Principal Information Engineer	7	7		
Principal System Architect	7	3	4	
Project Analyst 1	3		2	1
Project Managers	6	1	1	4
Quality Assurance Manager	1	1		
User Services Specialist V	1			1
Voice Communication Manager	2	1	1	
Web Designer	2	2		
Totals	79	36	26	17
Percentage of Total		46%	33%	22%

Attachment 5: List of Acronyms

Acronym	Definition
ALO	Audit Liaison Officer
AMS	Asset Management System
CAM	Contracts and Acquisitions Management
CAP	Corrective Action Plan
CERT	Computer Emergency Readiness Team
CFO	Chief Financial Officer
CIO	Chief Information Officer
CMMI	Capability Maturity Model Integration
CMP	Contract Monitoring Plan
CMX	Compliance Matrix
CO	Contracting Officer
COR	Contracting Officer's Representative
CPSS	Contract and Purchasing Support System
CS	Contract Specialist
ED	Department of Education
EDCAPS	Education Centralized Automated Processing System
EDNet	Education Network
FAR	Federal Acquisition Regulation
FedCIRC	Federal Computer Incident Reporting Center
FMSS	Financial Management Support System
FSA	Office of Federal Student Aid
IT	Information Technology
IV&V	Independent Verification and Validation
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General
OM	Office of Management
PM	Project Manager
PMIT	Property Management and Inventory Team
PWS	Performance Work Statement
SLAs	Service Level Agreements
SP	Service Provider



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE SECRETARY

March 26, 2007

TO: Michele Weaver-Dugan, Director
Operations Internal Audit Team
Office of Inspector General

FROM: David L. Dunn
Chief of Staff

SUBJECT: Response to Draft Audit Report
The Department's Management of the EDNet Contract
Control Number ED-OIG/A19G0009

Thank you for your draft audit report, *The Department's Management of the EDNet Contract*, ED-OIG/A19G0009, dated January 18, 2007. I have reviewed the draft audit report and take no exception to the objectives, scope, methodology or findings of the report. I concur with the report's nineteen recommendations. Attached is a proposed Corrective Action Plan submitted on behalf of the Office of the Chief Information Officer and the Office of the Chief Financial Officer for implementing the OIG recommendations.

Please note that the corrective actions contain sensitive procurement information that must be protected from unauthorized access.

If you have any questions regarding this response, please contact Brian Burns, Deputy Chief Information Officer, at (202) 245-6642.

Attachment – Proposed Corrective Action Plan

cc: Chief Financial Officer
Chief Information Officer
Director, Contracts and Acquisitions Management