



Office of Inspector General

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OFFICE OF TECHNOLOGY,  
FINANCIAL, AND ANALYTICS

## AUDIT REPORT

THE DEPARTMENT OF ENERGY'S  
CHIEF INFORMATION OFFICER'S BUSINESS  
OPERATIONS SUPPORT SERVICES CONTRACT

DOE-OIG-22-36  
JUNE 2022



**Department of Energy**  
Washington, DC 20585

June 10, 2022

Memorandum for the Chief Information Officer; and  
the Director, Office of Management

*Todd Wisniewski*

**From:** Todd Wisniewski  
Deputy Assistant Inspector General  
for Technology, Financial, and Analytics  
Office of Inspector General

**Subject:** Audit Report on The Department of Energy's Chief Information  
Officer's Business Operations Support Services Contract

## Highlights

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### What We Reviewed and Why

The Department of Energy's mission spans a diverse range of portfolios across the enterprise such as national security, open science research, power administration, and environmental management. Given its complexity, managing the Department's information resources is crucial to the success of its missions. A key objective of the Department's *Information Resources Management Strategy* is to hire or contract with professionals skilled in best-in-class practices to promote and improve stakeholder and user satisfaction. To achieve this goal, the Department recognizes that it must effectively leverage contractor partners and, as such, awarded the Chief Information Officer's Business Operations Support Services (CBOSS) contract in November 2018. By September 2021, more than 80 orders representing a total value of almost \$2 billion—the contract's initial potential value—had been awarded against the blanket purchase agreement. At that time, to prevent interruptions or delays that could impact the mission and quality of services, the Department modified the blanket purchase agreement and increased the total award value to \$10 billion.

Our audit, *The Department of Energy's Management of the ActioNet Information Technology Support Contract* (DOE-OIG-19-35, June 2019), found multiple weaknesses related to contract management. In particular, our prior audit determined that the Department spent at least \$33 million more than necessary related to direct labor costs and associated fees as a result of inadequate contract management. In addition, the Department lacked adequate procedures to ensure that the need for additional subcontractors was warranted or that subcontractor costs were fair and reasonable. Further, multiple extensions to the period of performance, which were

considered significant changes to the ActioNet contract, were not supported by documentation or other appropriate contract management actions. Because of our prior audit findings and the current contract's strategic importance to the Department, we initiated this audit to determine whether the Department's CBOSS contract was effectively managed.

## **What We Found**

To its credit, the Department had made significant improvements to its information technology contract management processes at Headquarters, resulting from our ActioNet audit. In particular, the Department enhanced its mandatory quarterly training program for Headquarters Contracting Officers in the areas of records retention, file documentation, and invoice processing. In addition, officials enlisted an independent auditor to assist with CBOSS-related invoice reviews. The Department also implemented project status reporting at the delivery order level to allow additional oversight of task progress. Following our ActioNet audit, officials also developed an in-house application to track other direct cost (ODC) purchases from the initial request through receipt of goods. While these were positive actions, opportunities exist to further enhance the Department's management of the CBOSS contract. Specifically, our audit identified weaknesses related to ODC fee transparency, as well as application and management of the contract performance assessment process. For example, we found:

- Fees associated with CBOSS ODC purchases lacked transparency at the beginning of the contract. Specifically, contractual documents such as request-for-quotes, pricing templates, and task order details related to the Office of Management and the Office of the Chief Information Officer task orders<sup>1</sup> lacked a fee percentage disclosure at the time of issuance. Instead, the teaming partner's request-for-quote submission stated that "customary markups" would be applied to material purchases without disclosing the markup amount or percentage. A markup of 11 percent was agreed to immediately following issuance of the task orders but prior to the Department making ODC purchases against either order.
- The Department may have paid at least \$110,000 more than agreed to across the ODC purchases we sampled for testing. In particular, the ODC contractor did not always adhere to the agreed-upon 11 percent markup fee and exceeded that amount for 65 of 129 (50 percent) ODC purchases sampled from June 2019 through November 2020. As a result, the Department paid approximately \$21,000 more than necessary across 56 of the 65 purchases due to fees exceeding 11 percent. We also found that the ODC contractor was the winning bidder for 9 of the 65 purchases. In each of these instances, an additional internal fee, above and beyond the agreed-upon 11 percent, was applied by the contractor. This fee totaled approximately \$109,000 across the nine invoices in our sample. Notably, there were 26 instances when the Department was undercharged by approximately \$35,000. However, our review found that the net result was a cost overage of approximately \$95,000. Assuming the same frequency and amounts of charges existed across the entire population, we concluded that the Department may have paid more than \$110,000 in excess fees for ODC purchases under the task order reviewed.

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<sup>1</sup> ODC task orders 89303019FIM000021 and 89303019FIM000032.

- Contractor Performance Assessment Report (CPAR) evaluations we reviewed were not completed in a timely manner. In particular, 4 of 19 (21 percent) CPAR evaluations we reviewed for task orders totaling \$57 million were not submitted within the 120-day timeframe recommended in Federal guidance. In some instances, the CPAR evaluations were up to 12 months beyond their due date.

The issues identified above occurred, in part, because contracting officials did not ensure that all elements of the Department's contract clause for invoicing were fully incorporated into the CBOSS contract. In addition, fee percentages beyond 11 percent occurred due to inconsistencies in how fees were applied and a lack of clearly disclosed agreed-upon amounts. Further, delays related to CPAR evaluations occurred because the Department had not implemented an effective process to ensure timely completion of contractor performance assessments.

In addition to the above-mentioned issues, our audit identified opportunities for improvement that, if fully implemented, could further enhance the Department's review of invoices. For example, we concluded that an opportunity existed for the Department to develop more detective or preventive monitoring processes to better identify and address billing anomalies related to the CBOSS contract. Further, we found that many of the contract management officials we spoke with only reviewed the summary invoice information and did not evaluate more detailed information included in spreadsheets. Detailed reviews could have identified many of the potential issues that were found during our test work.

Without improvements, the Department may continue to encounter challenges in managing the CBOSS contract, as well as future information technology contracts. The Department's risk of incurring unnecessary, excessive, or unallowable costs will also increase if the ODC material purchase fees are not consistently disclosed and calculated. Further, delayed contractor assessments prevent timely feedback, which can impact other customers' ability to access current and accurate contractor performance evaluation data. Whether negatively or positively, this could unfairly impact contractor's competitiveness for future contract opportunities.

## **What We Recommend or Suggest**

Considering the weaknesses identified during our audit, we made five recommendations and three suggestions in this report that should, if fully implemented, improve the management and oversight of the current CBOSS contract and future information technology contracts.

## **Management Comments**

Management concurred with the report's recommendations and indicated that corrective actions were taken or planned to address the issues identified in the report. Management's comments and our response are summarized in the body of the report. Management's formal comments are included in Appendix 4.

cc: Deputy Secretary  
Chief of Staff  
Deputy Chief Financial Officer

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# Background and Objective

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## Background

The Department of Energy's Chief Information Officer's Business Operations Support Services (CBOSS) contract, which replaced, in large part, the prior contract with ActioNet, Inc., is a single-award blanket purchase agreement (BPA) with 1 base year, 4 optional years, and an initial potential value of \$2 billion. The BPA's terms and conditions note that the initial award value was not a ceiling amount, and the accumulated value of task orders issued may exceed the amount without modification of the BPA. In fact, the Department increased the potential value of the contract to \$10 billion in September 2021. In addition, the BPA allowed any Department entity that utilized the contract vehicle to create a customized task order that could be issued as firm-fixed price, labor hour, time and material, or any combination thereof. Task orders issued against the BPA would be awarded to four prime contractors. Under a contractor teaming arrangement, Accenture Federal Services was the Team Lead and General Dynamics Information Technology, Science Applications International Corporation (formerly Unisys Corporation), and Red River Computing Company were teaming partners.

Under the CBOSS contract, the contractor teaming arrangement was designed to provide cybersecurity, information technology (IT) operations, telecommunications, and other IT support to various Department elements. Although this represented the broadly defined scope of potential services within the BPA, each teaming partner had its own area of concentration with respect to the type of work it could perform under the contract. In particular, Accenture Federal Services was responsible for providing services such as database administration; website development; change management; security operations support, infrastructure, awareness, and training; information security continuous monitoring; and risk management support. General Dynamics Information Technology was responsible for items such as networking, video/audio conferencing, legacy and mainframe support, and mobile communications. Science Applications International Corporation provided services such as seat management,<sup>2</sup> print services, and service desk, and Red River Computing Company was responsible for direct material purchases.

By September 2021, more than 80 task orders representing a total value of approximately \$2 billion—the contract's initial potential value—had been awarded to the various teaming partners through the CBOSS contract. To prevent interruptions or delays that could impact the mission and quality of services, the Department modified the BPA and increased the total award value to \$10 billion. Our audit evaluated over half of the task orders issued from the contract's inception in November 2018 through December 2020 to include 43 orders that incurred labor charges with an approximate award value of \$738 million and 3 orders related to other direct costs (ODC).

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<sup>2</sup> Seat management includes the management and coordination of all workstations on a single network and may include services such as installation, operation, and maintenance of all hardware and software for each workstation. This is often provided on a per-workstation basis, and each workstation represents a single individual.

Our review of ODCs focused on several task orders<sup>3</sup> for the Office of Management and the Office of the Chief Information Officer.

## Report Objective

The objective of this audit was to determine whether the Department's CBOSS contract was effectively managed.

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<sup>3</sup> The task orders included were 89303019FIM000021 (total award value of \$127.6 million) and 89303019FIM000032 and 8930320FIM000046 (total combined award value of over \$660 million). We did not complete sample-based transactional testing of the last two task orders and focused our efforts on task order 89303019FIM000021 that had the greatest dollar value of invoiced activity.

## Results of Review

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The Department had taken positive actions to address findings associated with our prior audit, *The Department of Energy's Management of the ActioNet Information Technology Support Contract* (DOE-OIG-19-35, June 2019). However, our current audit identified shortcomings related to how the current CBOSS contract was managed. In particular, our audit determined that the fees associated with ODC purchases were not always transparent in the contract file or on invoices. In addition, we identified multiple instances when the Department was charged more than the negotiated ODC fee which may have resulted in the Department spending more than necessary for materials or services. Our audit also determined that the Department's assessment of contractor performance was not always completed within the timeframes set forth in Department guidance.

### Other Direct Cost Fee Transparency

We determined that the fees associated with CBOSS ODC purchases lacked transparency at the beginning of the contract. Specifically, contractual documents such as request-for-quotes, pricing templates, and task order details lacked a fee percentage disclosure even after the first two ODC task orders<sup>4</sup> were issued. Instead, the teaming partner indicated that "customary markups" would be applied to material purchases without disclosing the actual markup percentage. A markup of 11 percent was eventually disclosed in email exchange between the Department's Contracting Officer and the ODC teaming partner after one of the task orders was awarded in June 2019. Although the Department was not initially aware of the fee percentages being applied, and the contractual documents lacked a clear disclosure of this fee, the Contracting Officer's inquiry resulted in disclosure of the fee immediately following issuance of the task orders but prior to the Department making any ODC purchases on the task orders. However, because the disclosures were not clearly documented within the contract, it was difficult for stakeholders to be aware of the fees and for the Department to enforce them.

The lack of disclosure prevented Department program officials who utilized CBOSS for ODC purchases from easily identifying what fees were charged on the procurements. During our audit, officials from the National Nuclear Security Administration, the Office of Environmental Management, and the Energy Information Administration, expressed concern and confusion regarding the lack of transparency and amount of fees charged for ODC purchases. The same officials noted that ODC fees for material and services were rolled into price quotes and final invoice prices without a breakout to identify the proposed or actual fee. This prevented them from verifying whether the fees charged were in alignment with the contract. Office of Management officials indicated that the programs we spoke with had not communicated their concerns and confusion. However, in our view, the contract and process changes made in response to our audit will address the issues that were communicated to us.

The lack of fee transparency occurred, in part, because contracting officials did not ensure all elements of the Department's contract clause for invoicing were fully incorporated into the CBOSS contract when it was awarded. Specifically, the Department required a contract clause<sup>5</sup>

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<sup>4</sup> Task orders 89303019FIM000021 and 89303019FIM000032.

<sup>5</sup> DOE-G-2005 \*A1 Billing Instructions - Alternate I (OCT 2014) For Time and Material Orders.



calling for fees to be outlined in statements of costs to support invoice documentation. However, several key portions of the clause were deleted from the terms and conditions of all three ODC task orders reviewed. Prior to us raising concerns, the fee percentages were ultimately disclosed in the current ODC task order<sup>6</sup> in May 2020. To their credit, when notified of this issue, Department officials took immediate corrective action to incorporate all aspects of the applicable invoice clause and added a fee disclosure to be applied to all future ODC invoices.

While the Department had taken action to address transparency and consistency on the current task order in the ODC fee process, we recommend that the Director, Office of Management, in coordination with the appropriate delegated Contracting Officers, implement the following actions on future IT support contracts for ODC material purchases:

1. Ensure that all necessary requirements from contract clauses, such as DOE-G-2005, are included in the terms and conditions of ODC time and material task orders, where applicable; and
2. Ensure that appropriate contract-related documents capture and clearly disclose the agreed-to fees for each ODC material task order.

## Other Direct Cost Fee Calculation

The Department may have spent approximately \$110,000 more than necessary for ODC purchases of materials or services for the period reviewed. Specifically, we sampled 129 of 1,001 ODC purchases made from June 2019 through November 2020 to determine whether the Department appropriately paid the agreed-upon 11-percent fee. We found that 65 (50 percent) of the purchases had a markup that exceeded the agreed-upon fee. For 56 of these invoices, the rates charged for the purchases resulted in a total excess fee of approximately \$21,000. In addition, nine invoices contained an additional internal fee separate from the agreed-upon markup when purchases were made directly by the ODC contractor instead of a third-party vendor. For one of the invoices, the ODC contractor acquired hardware at a cost of \$567,720 and applied a markup of \$90,280 (16 percent). We determined that the amount charged for fees across all nine invoices totaled \$109,000. Notably, we determined that 26 of 129 (20 percent) invoices reviewed indicated that the Department was charged less than the agreed-upon rate, which decreased the overall monetary impact of our testing results by approximately \$35,000.<sup>7</sup> Assuming the same frequency and amounts of charges existed across the entire population, we concluded that the Department may have paid more than \$110,000 for ODC purchases under the task order reviewed.

The issues we identified related to fee calculations were due, in part, to inaccuracies in fee calculation formulas and a lack of clearly disclosed agreed-upon fee percentages. Specifically, instead of using a standard markup percentage formula<sup>8</sup> to calculate fees, the contractor used a

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<sup>6</sup> Task order 8930320TIM000046.

<sup>7</sup> We concluded that the Department may have spent \$95,000 more than necessary based on the excessive fees of \$130,000 (\$21,000+\$109,000) and lesser fees of \$35,000 for just the sample items reviewed.

<sup>8</sup> Markup Percentage = [(Revenue (Sell Price) – Cost) ÷ Cost] × 100, or Markup Dollar or Profit = Selling Price – Cost. Source: <https://www.omnicalculator.com/finance/markup>.

gross profit margin<sup>9</sup> percent calculation. This conflicted with contract documentation that required fees to be based on a markup percentage and not a profit margin. The use of the profit margin calculation returned a fee percentage that appeared lower than when the same fee was calculated using the markup formula. A more robust review by the Department's invoice approval officials may have identified the need to substantiate fees within invoice documentation, a step that would have facilitated the ability to verify fee calculation accuracy. According to the Department's Acquisition Guide, Chapter 32.901, *Reviewing and Approving Contract Invoices*, approving officials must review invoices for various components, ensuring that provisional rates and fees are billed consistent with contractual terms and conditions and whether ODCs are properly substantiated. When informed of the identified fee inconsistencies, the Department agreed with our findings and implemented actions to better define and disclose how fees were applied to ODC purchases within each invoice.

To ensure that the Department pays fees consistently and in accordance with contract terms and conditions, we recommend that the Director, Office of Management, in coordination with the appropriate delegated Contracting Officers, take and sustain the following actions for current IT support contracts:

3. Ensure that all contractor quotes and invoices for ODC purchases clearly disclose and substantiate fee information, including the calculation method and formula, so that approving officials can verify accuracy and compliance with agreed-to rates; and
4. Evaluate whether ODC markup fees exceeding 11 percent incurred by the Department would be considered unallowable and pursue reimbursement and fully document the rationale, appropriate use cases, and evidence requirements for fees in the future.

## Contractor Performance Reporting

The Department's assessment of CBOSS contractor performance was not always completed in a timely manner. We found that 4 of 19 (21 percent) of the sampled Contractor Performance Assessment Report (CPAR) evaluations performed on task orders owned by the Office of Management were missing comments or ratings from various officials and had exceeded the recommended timeframe for completion by up to 9 months. The four CPAR evaluations were related to task orders totaling approximately \$57 million in obligations and included activities related to program management support and reporting; strategic improvement of IT services; cybersecurity strategy, policy, and training; network, voice, and video operations; and architecture, engineering, and technology innovation services. Three of the task orders were assigned to Accenture Federal Services, and the other was assigned to General Dynamics Information Technology.

According to Federal Acquisition Regulation 42.15, *Contractor Performance Information*, a contractor's past performance on previously awarded contracts or task orders is relevant information for future source selections. Therefore, agencies are required to monitor their own compliance with the past performance evaluation requirements and use CPAR system metric

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<sup>9</sup> Gross Margin Percentage =  $100 \times [(\text{Revenue} - \text{Costs}) \div \text{Revenue}]$ , or Gross Margin Dollars or Sales Price =  $100 \times [\text{Profit} \div \text{Revenue} \text{ (when expressed as percent)}]$ . Source: <https://www.omnicalculator.com/finance/margin>.

tools to measure the quality and ensure reporting is completed in a timely manner. In addition, the Department's Acquisition Guide notes that the primary purpose of these evaluations is to ensure that the contractor is held accountable for its actions, and accurate data on contractor performance is current and available for use in future source selections. Moreover, the U.S. General Services Administration's *Guidance for the Contractor Performance Assessment Reporting System* states that all contractor assessments should be completed within 120 days of the task order's period-of-performance end date. While the CPAR timeline is not mandatory, it establishes a basic expectation of timeliness.

The identified delays in CPAR reporting occurred because Department officials had not implemented effective processes to ensure completion of contractor performance assessments in a timely manner. Specifically, although internal guidance outlined timelines for contractor assessments, Department officials noted that they often required additional time to collect information and feedback to complete the assessments. However, the delays we identified had significantly exceeded the recommended timeframe for completion.

To monitor contractor effectiveness in a timely manner, we recommend that the Director, Office of Management, in coordination with the appropriate Contracting Officers, take and sustain the following actions on current IT support contracts:

5. Fully implement processes to ensure that CPAR evaluations are completed in a timely manner to measure contractor effectiveness.

## Enhancements to Labor Invoice Reviews

In addition to reviewing ODC purchases and CPAR assessments, we also evaluated the Department's oversight of the CBOSS contract's labor charges. We concluded that the Department had taken positive actions regarding its review of invoices in response to our prior audit report, and no significant weaknesses were identified during our detailed testing of the CBOSS labor charges. However, we identified opportunities for improvement related to invoice reviews that could further enhance the Department's efforts in this area.

Despite spending over \$170 million on time and material orders during the period under review, the Department had not implemented a proactive process to monitor and identify potential inconsistencies or irregularities across the CBOSS contract. Specifically, our review of 688 invoices containing labor charges identified inconsistencies related to labor category charges and the timeliness of invoice submissions that were not identified by officials as part of their regular contract management process. In particular:

- We identified several individuals who billed multiple orders within the same pay period but charged different labor categories. For example, we found an instance when an individual incurred hours as both a Program Manager-Mid-CS and a Change Management Analyst-Mid during the same period. The difference between the two rates charged to the Department was nearly \$20 per hour. In another instance, we noted an individual that was billed at different experience levels (mid versus senior) within the same labor category during a single pay period at a difference of more than \$65 per hour.

Although officials were able to explain most of the differences we identified, none of these potential issues were identified during the Department's internal monitoring process.

- We identified at least 21 instances when contractor hour submissions appeared unreasonable.<sup>10</sup> Specifically, we noted that monthly contractor labor charges exceeded 300 hours for each of these instances. The Department responded that many of the charges we identified as potentially concerning were related to the contractor's multi-month-billings.
- We identified almost 2,800 instances of labor charges that were not submitted within timeframes required by the contract. In these instances, charges were submitted at least 3 months after the work was completed, including 42 charges that were not submitted until more than 9 months past the date incurred. Department officials noted that many of the charges were associated with billing adjustments or were delayed due to pending contract modification holds. However, at least one official was concerned that the late charges made it difficult to track and reconcile each contractor's activities, increasing the likelihood of approving improper payments. Processing billing information in a timely manner helps the Department plan and manage funds to ensure that they are identified and monitored when they occur. In response to our observations, one contractor adjusted its billing process to reflect pending labor charges.

While none of these anomalies resulted in significant impacts to the management of the CBOSS contract, we concluded that the Department's invoice process could be enhanced by developing more detective and preventive monitoring processes. Specifically, although the Department's Acquisition Guide included an invoice review process that focused on individual invoice submissions, the process lacked details on how contract administrators should holistically examine and/or correlate data across all historical invoices, pay periods, or multiple task orders for potential discrepancies. A Department official confirmed that such a mechanism did not exist. In addition, we noted that contract management officials were either encouraged to only review summary invoice details or that their respective reviews only consisted of the summary information, which resulted in evaluations not considering the more detailed information included in contractor-submitted spreadsheets. Detailed reviews could have identified many of the potential issues that were found during our test work. Having a process in place to review all transactions could also enhance the Department's ability to identify unallowable costs and reduce its exposure to improper payments. Finally, the spreadsheet invoice data did not include the pay period date for when the contractor incurred the charges reflected in the summary invoice details. Incorporating this information into the spreadsheet would provide the Department with a more consistent representation of charges and allow for a full analysis of billings, especially in cases where invoices included billing adjustments outside the current invoice month.

Although we identified concerns with the thoroughness of the Department's invoice review process, we did not consider them to be significant. However, to improve the Department's ability to identify and address potential billing anomalies, we suggest that the Chief Information

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<sup>10</sup> Our unreasonableness calculation was based upon cases where labor charges exceeded a baseline of 300 hours billed in a month. This baseline equated to a 75-hour work week charged across 4 weeks of activity.

Officer and the Director, Office of Management, in coordination with appropriate delegated Contracting Officers, take into consideration the following suggested actions when managing current and future IT support contracts:

- Update and implement Department guidance to ensure contractor employee labor transactions are adequately reviewed to help identify anomalies, which represent potential issues, across all timeframes and task orders;
- Consider requiring contractors to submit information necessary to enable detailed analysis of invoice charges such as the pay period associated with all labor charges; and
- Reinforce to contractors the importance of billing in a timely manner and ensure there is a mechanism in place to track pending labor hour charges for the Department.

### Impact to the Department of Energy

Without improvements, the Department may continue to encounter challenges in managing the CBOSS contract, as well as future IT contracts. The Department's risk of incurring unnecessary, excessive, or unallowable costs will also increase if the ODC material purchase fees are not consistently disclosed and properly calculated. Insufficient cost and billing documentation, coupled with a lack of fee disclosure, makes it difficult for a customer, invoice reviewer, or approver to verify whether fees are consistently, fairly, and accurately applied, which may increase the risk that fees are inconsistently applied, excessive, or incorrect. This is further complicated in situations where multiple fee rates occur on the same invoice. In addition, delayed contractor assessments prevent timely feedback, which can impact other customers' abilities to access current and accurate contractor performance evaluation data. Whether negatively or positively, the lack of assessment data could impact a contractor's competitiveness for future contract opportunities. As such, more timely contractor performance assessments would ensure that potential customers are able to make informed contracting decisions.

## Management Comments

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Management concurred with the report's recommendations and indicated that corrective actions to address three of the recommendations had been completed. In addition, management indicated that, in the future, it would evaluate whether fees incurred by the Department that exceeded 11 percent were unallowable and fully document the rationale, appropriate use cases, and evidence requirements for fees. Management commented that contractor reimbursement for the items identified during our audit would not be pursued given benefits received by the Department. Management also indicated that it would ensure that CPAR evaluations were completed within 120 days following the end of the period of performance and would provide training to communicate the requirement. Finally, management stated that quarterly status reports would be used to ensure that CPAR evaluations for the Office of the Chief Information Officer's managed task orders were completed in a timely manner.

Management comments are included in Appendix 4.

## Office of Inspector General Response

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Management's comments and planned corrective actions were responsive to our recommendations.

## Commonly Used Terms

|   |            |
|---|------------|
| Blanket Purchase Agreement  | BPA        |
| Chief Information Officer's Business Operations Support Services Contract | CBOSS      |
| Contractor Performance Assessment Report                                  | CPAR       |
| Department of Energy  | Department |
| Information Technology  | IT         |
| Other Direct Cost   | ODC        |

## Objective, Scope, and Methodology

### Objective

The objective of this audit was to determine whether the Department of Energy's Chief Information Officer's Business Operations Support Services (CBOSS) contract was effectively managed.

### Scope

The audit was performed remotely from December 2020 through March 2022 at Department Headquarters in Washington, DC, and Germantown, Maryland; and the Golden Field Office in Golden, Colorado. Our review covered nearly 2 years of the Department's 5-year CBOSS contract, which began incurring costs in March 2019. The audit was conducted under Office of Inspector General Project Number A21TG001.

### Methodology

To accomplish our objective, we:

- Reviewed applicable laws, regulations, and directives related to contract management.
- Reviewed relevant reports issued by the Office of Inspector General.
- Held discussions with Department officials, including various Federal and contractor staff associated with the CBOSS contract.
- Reviewed documentation pertaining to the CBOSS contract, including contract terms and conditions, modifications, and work orders.
- Assessed the Department's Contractor Performance Assessment Reporting evaluation process as it pertained to the CBOSS contract.
- Reviewed status reports associated with the CBOSS task orders.
- Assessed the CBOSS participants for any potential conflicts of interest.
- Judgmentally selected 43 task orders for review under the CBOSS contract. We reviewed all direct labor costs incurred by CBOSS employees and billed to the Department to determine if charges incurred were in accordance with the terms and conditions of the contract. Our analysis reviewed a total of 688 invoices valued at approximately \$178 million.



## Appendix 2

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- Examined a sample of other direct cost (ODC) purchases to evaluate the review and approval processes for quotes and invoices. We also evaluated whether the agreed-to ODC fees were accurately applied. To do this, a statistically based, randomly generated sample selection process was used. Because ODC task order 89303019FIM000021 contained the majority of ODC purchases—1,001 in total—we focused on this task order for the population. We then judgmentally narrowed the population to “paid” invoices greater than \$5,000, which identified a total of 561 invoices. From the narrowed population, we used data extraction and analysis software to generate a statistically based sample size of 129 invoices, using a confidence level of 95 percent (upper error limit of 5 percent) and an expected error rate of 1.5 percent.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective. Accordingly, we assessed significant internal controls and compliance with laws and regulations to the extent necessary to satisfy the audit objective. In particular, we assessed the following internal control components and underlying principles significant to the audit objective: control environment and the related principles to exercise oversight responsibility and to demonstrate commitment to integrity and ethical values; control activities and the related principle to design control activities; risk assessment and the related principle to identify, analyze, and respond to risk; and monitoring and the related principle to perform monitoring activities. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. We did not solely rely on computer-processed data to satisfy our audit objective. However, we determined through various test procedures that the data used was sufficiently reliable for the purposes of our audit objective.

We held an exit conference with management officials on May 31, 2022.

## Prior Reports

- Audit Report on [\*The Department of Energy's Management of the ActioNet Information Technology Support Contract\*](#) (DOE-OIG-19-35, June 2019). The report found that the Department of Energy had not effectively managed the ActioNet, Inc. support contract in accordance with Federal and Department requirements. In particular, the Department may have spent significantly more than necessary for direct labor costs over the life of the contract resulting from inadequate contract management practices. In addition, the use of subcontractors by ActioNet, Inc. increased exponentially from what was initially anticipated, without adequate procedures in place to ensure that the need was warranted or that costs were fair and reasonable. Further, multiple extensions to the period of performance, which were considered significant changes to the ActioNet, Inc. contract, were not supported by documentation or other appropriate contract management actions. These issues occurred, in part, because Department officials had not implemented appropriate internal controls to ensure effective monitoring and oversight of the ActioNet, Inc. contract. In addition, Department officials had not implemented Federal requirements related to ensuring that all contract management functions were performed and appropriately documented.
- Audit Report on [\*Management and Oversight of Information Technology Contracts at the Department of Energy's Hanford Site\*](#) (DOE-OIG-16-10, April 2016). The report substantiated allegations related to the management and oversight of the information technology contracts at the Hanford Site. In particular, while the Richland Operations Office intended the Mission Support Contract to consolidate all infrastructure services for the Hanford Site's cleanup mission under one prime contractor, some of the site's major prime contractors entered into separate agreements with Lockheed Martin Services, Inc. In addition, time and material task orders significantly exceeded the amount proposed in the support contract with Lockheed Martin Services, Inc. Further, the Department may have paid unnecessary fee or profit when acquiring information technology support services as we identified potential unallowable profit of more than \$63.5 million. The identified weaknesses occurred, in part, because Mission Support Alliance, LLC had not fully executed the Mission Support Contract in accordance with its terms. In addition, the Richland Operations Office had not promptly acted to compel involved contractors to comply with requirements. Further, Richland Operations Office and Mission Support Alliance, LLC officials had not ensured that incurred cost audits were conducted in accordance with Federal requirements, a key component of an effective monitoring and oversight program.

## Management Comments



Department of Energy  
Washington, DC 20585

May 12, 2022

MEMORANDUM FOR TERI L. DONALDSON  
INSPECTOR GENERAL

FROM: ANN DUNKIN  
CHIEF INFORMATION OFFICER

INGRID KOLB  
DIRECTOR, OFFICE OF MANAGEMENT

Ingrid Kolb  
Digitally signed by Ingrid Kolb  
Date: 2022.06.08  
09:21:53 -0400

SUBJECT: Responses to Draft Audit Report on The Department of Energy's Chief Information Officer's Business Operations Support Services Contract

Thank you for the opportunity to comment on the Draft Audit Report on "The Department of Energy's Chief Information Officer's Business Operations Support Services Contract." The Department of Energy (DOE) understands the Office of Inspector General (IG) conducted this audit to determine whether the Department's CBOSS contract was effectively managed.

DOE has implemented recommendations and will work on implementing the remaining recommendations. Details are in the attached enclosure.

If you have any questions or need additional information, please contact Mr. Steven Brand, Deputy Chief Information Officer for Resource Management, at [steven.brand@hq.doe.gov](mailto:steven.brand@hq.doe.gov)

Enclosure



## MANAGEMENT RESPONSE

### IG Draft Report

#### *The Department of Energy's Chief Information Officer's Business Operations Support Services Contract (A21TG001)*

Director, Office of Management, in coordination with the appropriate delegated Contracting Officers, implement the following actions on future IT support contracts for ODC material purchases:

*Recommendation 1: Ensure that all necessary requirements from contract clauses, such as DOE-G-2005, are included in the terms and conditions of ODC time and material task orders, where applicable;*

We concur with this recommendation. All necessary requirements from contract clauses, such as DOE-G-2005, were included in the terms and conditions of ODC time and material Task Order (TO) 22 - 89303020FIM000046, on 5/1/2020. OCIO will collaborate with Director, Office of Management (MA) to ensure that all future ODC time and material tasks orders will include all necessary requirements from contract clauses, such as DOE-G-2005.

**Completion Date: 4/30/2022**

*Recommendation 2: Ensure that appropriate contract-related documents capture and clearly disclose the agreed-to fees for each ODC material task order.*

We concur with this recommendation. We agree that the initial ODC order TO 5 contract # 89303019FIM000021 was not modified to include this language (Note: TO 5 is expired). However, the follow-on ODC task order, TO 22 contract # 89303020FIM000046 included this information when awarded on 5/01/2020.

Specifically, the provision included in TO 22 states the following:

The fees for this BPA Order number, 89303019AIM000005 – 89303020FIM000046, are 7%. These fees are inclusive of all PMO costs, material handling fees, GSA IFF fees, and other contract access fees. However, the 7% fee structure does not cover renewals. For renewals (defined as a new contracting action to extend or continue the period of validity of an identical, pre-existing license or subscription, for software, or maintenance thereof) the fees are 3.5%. These fees are based on a one (1) Base Year Period and Four (4) one-year Option Periods.

All appropriate contract-related documents capture and clearly disclose the agreed-to fees for each ODC material task order.

**Completion Date: 4/30/2022**

*Recommendation 3: Ensure that all contractor quotes and invoices for ODC purchases clearly disclose and substantiate fee information, including the calculation method and formula, so that approving officials can verify accuracy and compliance with agreed-to rates;*

MA and OCIO concur with this recommendation and DOE MA/OCIO addressed this recommendation on June 1, 2021 by requiring the contractor to disclose all elements of quoted price for each quote submitted. This includes contract fee, fee percentage applied, shipping when applicable, and identification of items as new purchases or renewal products, which have rates of 7% and 3.5% respectively. Additionally, on

February 2022, the ODC Team released an improvement on DOE At Your Service (DAYS), an Energy IT Services Portal (EITS) self-service portal, to incorporate these cost elements on the ODC ticket page to make this data easily viewable/accessible to users.

**Completion Date: 2/28/2022**

*Recommendation 4: Evaluate whether ODC markup fees exceeding 11 percent incurred by the Department would be considered unallowable and pursue reimbursement and fully document the rationale, appropriate use cases, and evidence requirements for fees in the future.*

MA and OCIO concur with the recommendation. In the future, OCIO will evaluate whether ODC markup fees exceeding 11 percent incurred by the Department would be considered unallowable and pursue reimbursement and fully document the rationale, appropriate use cases, and evidence requirements for fees.

However, OCIO does not believe that we need to pursue reimbursement for those 65 (50 percent) ODC purchases with a markup that exceeded the agreed-upon fee, due to benefits the Government received in other areas:

- 1) Red River assessed the lower TO 22 negotiated fee of (7% new product and 3.5% renewals) for 93 ODC purchases completed under TO 5 to minimize administrative burden during the transition from TO 5 to TO22.
- 2) The audit identified some purchases for which Red River submitted a bid and didn't apply the negotiated markup rate due to administrative error, which led to reduced charges for the Government.
- 3) Red River has actively participated in ODC Tiger Team improvements on a weekly basis for about 2 years. Red River has been a valuable partner in providing advice in developing requirements and implementing ODC improvements. Red River does not bill the Government for this advisory support.

The combination of negotiated lower rates for the new ODC TO22, application of the lower fees for 93 TO 5 transition purchases, error of not applying fee to Red River bids, and the ODC Tiger Team support provided at no additional cost results in benefits to the Government and reduces the overall monetary impact.

The contractual requirement to clearly disclose all elements of price proposed in quotes and invoices will allow DOE to closely monitor fees assessed and calculation method. Future charges exceeding 11% will be considered unallowable.

**Estimated Completion Date: 8/31/2022**

Director, Office of Management, in coordination with the appropriate Contracting Officers, take and sustain the following actions on current IT support contracts:

*Recommendation 5: Fully implement processes to ensure that CPAR evaluations are completed in a timely manner to measure contractor effectiveness*

MA and OCIO concur with this recommendation and will adhere to the CPARS guide, section 4.7 (Evaluation Time), which prescribes that CPARS evaluations be completed within 120 days following the end of the period of performance.

# Appendix 4

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CIO has established mandatory CPARS training for all Contracting Officer Representatives (COR) and Technical Monitors for OCIO managed contracts to communicate CPARS requirements. Additionally, CIO will work with MA to receive quarterly CPARS status reports for all Task Orders under BPA 89303019AIM000005 to ensure there are no outstanding CPARS for OCIO managed Task Orders. These reports will also assist OCIO to plan for timely completion of CPARS reports within the DOE recommended timeframe of 120 days when appropriate. Meeting this timeframe may be impacted by any unexpected contract or litigation issues that may preclude the acquisition team from complying with this timeframe. Note that CIO does not have visibility and oversight for Task Orders managed at the Delegated Procurement Authority (DPA) level. The procurement offices granted this DPA are responsible for complying with CPARS requirements.

**Estimated Completion Date: 8/31/2022.**

## **FEEDBACK**

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Office of Inspector General (IG-12)  
Department of Energy  
Washington, DC 20585

If you want to discuss this report or your comments with a member of the Office of Inspector General staff, please contact our office at 202-586-1818. For media related inquiries, please call 202-586-7406.