

NATIONAL SECURITY AGENCY  
OFFICE OF THE INSPECTOR GENERAL


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## Audit of Cost-Reimbursement Contracts

AU-19-0010  
20 October 2021



The seal of the National Security Agency Office of the Inspector General is a large, circular emblem in the background. It features an eagle with wings spread, perched on a shield. The shield is divided into four quadrants. Above the eagle, the words "OVERSIGHT" and "INTEGRITY" are written in a semi-circle, separated by a star. Below the eagle, the words "INDEPENDENCE" and "TRANSPARENCY" are written in a semi-circle, also separated by a star. The outer ring of the seal contains the text "NATIONAL SECURITY AGENCY" at the top and "OFFICE OF THE INSPECTOR GENERAL" at the bottom.

NOTE: A classified version of the *Audit of Cost-Reimbursement Contracts* formed the basis of the unclassified version. The National Security Agency (NSA) Office of the Inspector General (OIG) has endeavored to make this unclassified version of the *Audit of Cost-Reimbursement Contracts* as complete and transparent as possible. However, where appropriate, the NSA OIG has rephrased or redacted information to avoid disclosure of classified information and as required to protect NSA sources and methods and ensure the fairness and accuracy of the unclassified version of the report. In that regard, the classified version of this report contained additional contract details and information that could not be included in the public version of this report.



## EXECUTIVE SUMMARY

### Why We Did This Audit

The overall objective of our audit was to determine whether the Agency has effective and efficient internal controls over cost-reimbursement contract expenses. According to the Government Accountability Office (GAO), this type of contract is high risk for the Government because of the potential for cost escalation and because the Government pays a contractor's costs of performance regardless of whether the contract requirement is met. The Agency awarded 151 cost-reimbursement contracts in FY 2018, which was 36 percent of the total contract dollars awarded. We focused our audit effort on interim voucher payments (invoices) for cost-reimbursement contracts because this is the point that the Agency actually incurs expense under cost-reimbursement contracts.

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### What We Found

The Office of the Inspector General (OIG) audit of cost-reimbursement contract expenses revealed several deficiencies that have the potential to impact the Agency's ability to determine whether cost-reimbursement contract costs are allowable, allocable, and reasonable through the performance of due diligence regarding invoice review. The current state of contract oversight at the Agency has a high degree of uncertainty as it relates to the examination of costs. Our audit of cost-reimbursement contracts revealed the following:

- **The Contracting Officer Representative (COR) process was ineffective and inefficient.**

The Agency had inadequate oversight of the actual costs of cost-reimbursement contracts due to vague and ineffective COR roles, responsibilities, and oversight procedures. Additionally, tools that did not meet the demands of managing large, complex cost-reimbursement contracts with voluminous Technical Task Orders (TTO) added to a heavy COR workload. The Agency's process for managing expenses on cost-reimbursement contracts did not mitigate the significant risks associated with these type of contracts.

- **The Agency's review of actual costs for cost-reimbursement contract expenses was insufficient, resulting in questionable labor charges of approximately \$227 million and travel charges of over \$226,000.**

The Agency was not performing sufficient review of actual costs on cost-reimbursement contracts. This was due to contract clauses not being enforced, a lack of focus on actual costs with an over-emphasis on tracking funding by TTO, an over-reliance on contractor-provided





## Conclusion

The findings identified by the OIG in this audit increase the risk of payments for unallowable costs and further labor mischarges. Additionally, cost-reimbursement contract costs could go without examination by an Agency contracting official, such as a COR, or by external auditors. Failure to review actual costs and limited external oversight increase the risk of improper billings and payments in cost-reimbursement contracts. The OIG makes 22 recommendations to assist the Agency in addressing these issues. The actions planned by management meet the intent of all recommendations.

reports, and a lack of risk assessments for high-risk contractors. Noncompliance with contract clauses and insufficient billing documentation caused us to question labor charges of approximately \$227 million and travel charges of over \$226,000. The total of the sample invoices was valued at just over \$304 million; therefore, approximately 75 percent of the costs charged for these invoices was questioned. As a result, the Agency could potentially be exposed to the risk of further labor mischarging and an increased risk of making improper payments.

- **There was limited external oversight of actual costs for cost-reimbursement contract expenses.**

The level of external oversight was limited due to inadequate and unmanaged communications with the Defense Contract Audit Agency (DCAA) and a lack of understanding regarding contract auditors' coverage of Agency contracts. As a result, the Agency has increased risk of further labor mischarging and of making improper payments for unallowable costs.



Robert P. Storch  
Inspector General

20 October 2021

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# I. INTRODUCTION

## Background

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The National Security Agency (NSA) can choose among two broad categories of contracts to procure goods and services: fixed-price and cost-reimbursement. There are more than a dozen types of contracts listed in the Federal Acquisition Regulation (FAR) (predominantly in FAR Part 16, “Types of Contracts”) and each type has different requirements for contract administration and surveillance. The types of cost-reimbursement contracts utilized at the Agency are as follows: cost, cost plus award fee, cost plus incentive fee, and cost plus fixed fee. The OIG has done a number of audits of the Agency’s contracting efforts, as detailed in Appendix A. There were 151 cost-reimbursement contract actions at the Agency in FY 2018, which accounted for only 2 percent of the total contracts awarded; however, the contracts were relatively large, with a total value of 36 percent of the contract dollars awarded.

Each contract type comes with a different level of cost or performance risk for the Government. Cost-reimbursement types pay a contractor’s allowable costs incurred, to the extent prescribed by the contract. These types of contracts include an estimated total cost for the purpose of obligating funds and a cost ceiling that a contractor exceeds at its own risk. According to the Government Accountability Office (GAO), this type of contract is high risk for the Government because of the potential for cost escalation and because the Government pays a contractor’s costs of performance regardless of whether the contract requirement is met.<sup>1</sup>

Cost-reimbursement contracts require significantly more government oversight than other contract types. As depicted in Figure 1 below, compared to fixed-price contracts, cost-reimbursement contracts require maximum surveillance because of their high risk. As mentioned on the Agency’s Contracting Officer Representative (COR) website, contract administration is one of the Federal Government’s highest priorities. Ensuring the Agency has properly trained and appointed contracting officers (COs) and CORs is critical to a contract’s success, particularly for high-risk contracts like cost-reimbursement types.

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<sup>1</sup> Reported in the U.S. GAO *Report on Contract Management*, September 2009.

Two Families of Contract Types		
	Cost-Reimbursement	Fixed-Price
<b>Contractor Promise:</b>	Best Effort	Shall Deliver
<b>Risk to Contractors:</b>	Low	High
<b>Risk to Government:</b>	High	Low
<b>Cash Flow:</b>	As Incurred	On Delivery
<b>Performance Payment:</b>	None	Milestones Met
<b>Administration:</b>	Max. Gov't Surveillance	Min. Gov't Surveillance
<b>Fee/Profit:</b>	Fee Limitations	No Limit

Figure 1: Contract Types<sup>2</sup>

## Contract Oversight

Operational oversight is critical to ensure that contractor companies meet Agency requirements and efficiently use Agency resources. The Agency and Department of Defense (DoD) use the following personnel and entities in the oversight of cost-reimbursement contracts:

### Agency Oversight

- **Business Management and Acquisition (BM&A) Contracting office**, known as the Maryland Procurement Office (MPO), issues contracts and is responsible for acquiring goods and services by planning, executing, and administering contracts.
- **COs** are responsible for establishing, administering and terminating contracts.
- **BM&A Accounts Payable Office (AP)** performs a check of each contractor invoice for completeness—in accordance with Financial Management Regulation (FMR) Volume 10, Chapter 7, which references FAR 32.905(b) for the details on proper invoices—and then releases the complete invoices to the CORs.
- **CORs** assist in technical or administrative contract oversight on behalf of a CO. CORs are responsible for contract surveillance after the contract is awarded, including for reviewing and approving invoices. The Agency has established four types of CORs to implement the COR role: Primary, Technical, Administrative, and Site.

<sup>2</sup> Obtained from the Contracting office's *COR Handbook*, Version 2.0, 20 October 2016.

## Department of Defense Oversight

- **The Defense Contract Audit Agency (DCAA)** is the auditor for the DoD. DCAA's primary function is to conduct independent contract audits to aid in the review of financial representations made by defense contractors. DCAA helps to determine whether contract costs are allowable, allocable, and reasonable by performing invoice voucher reviews and contract audits, which are based on risk assessments and random sampling and are not performed on every voucher or every contract.

## Audit Universe

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For this audit, we focused on interim voucher payments (invoices) for cost-reimbursement contracts because they reflect the point at which the Agency actually incurs expenses under cost-reimbursement contracts. A DoD Office of the Inspector General (OIG) statistician assisted us by providing a sampling approach that has been successfully used in other similar audits. After analyzing a list of all FY 2018 awarded cost-reimbursement contracts, we initially planned to review 150 invoices that were charged against 53 cost-reimbursement contracts from the period 1 June 2018 through 31 May 2019. However, we subsequently determined that a review of 58 invoices charged against 18 cost-reimbursement contracts, coupled with interviews with Primary and Technical CORs, provided sufficient evidence to support our findings.

For more information on the audit universe and details on our sampling process, as well as for more information on the objective, scope, methodology, and criteria of the audit, see Appendix A: "About the Audit."



## II. RESULTS OF THE AUDIT

### FINDING 1: The COR process was ineffective and inefficient.

The Agency had inadequate oversight of the actual costs of cost-reimbursement contracts due to vague and ineffective COR roles, responsibilities, and oversight procedures. Additionally, tools that did not meet the demands of managing large, complex cost-reimbursement contracts with voluminous technical task orders added to a heavy COR workload. As a result, the Agency's process for managing expenses on cost-reimbursement contracts does not fulfill its responsibility to mitigate the significant risks associated with these contracts.

## Vague and Ineffective COR Roles, Responsibilities, and Procedures

### COR Oversight Duties Are Vague

In accordance with FAR 1.602-2(d), the Agency issues a *Memorandum of Appointment* (or COR Appointment Letter) that outlines COR duties and activities to all appointed CORs. This serves as a key control for managing oversight of contract performance and related costs. The letter explains COR responsibilities in terms commensurate with FAR requirements for the COR role. The letter then identifies and outlines an affiliate's COR role as one of the four "COR types" established by the Agency:

1. **Primary CORs** are assigned overall technical and administrative responsibility for contract oversight. They have the responsibility to manage all business, contractual, and acquisition aspects of the contract. All contracts over \$5 million must have a Primary COR, and only one Primary COR may be assigned to a contract at any time. Primary CORs are responsible for ensuring the accuracy and validity of the invoice charges by performing due diligence to review the invoice charges prior to approving payment. To carry out these tasks, the Primary COR may rely on Technical CORs.
2. **Technical CORs** are responsible for understanding the technical work the contractors perform and assessing contract compliance. They are required to ensure that the Primary COR is informed, in real time, of all technical actions relating to the contract and the cost associated with such actions.
3. **Administrative CORs** are responsible for performing functions as part of the contract administration team. They inform the Primary COR of all areas of the contract related to contract administration, including key areas of cost, schedule, and performance. Administrative CORs are often appointed to a contract to serve in a backup capacity to the Primary COR.

4. **Site CORs** perform all functions as necessary to be the “eyes and ears” of both the Primary COR and the CO while at a non-NSA, Washington (NSAW) facility. Site CORs often act as Technical CORs, but at field sites.

We found that some of the invoice review duties among the four types of CORs were the same or only slightly different. The ambiguity presented by the letter in this regard was validated by the COR interviews we conducted.

The process for reviewing invoices per the COR Appointment Letter states:

[A] COR shall review all invoices for accuracy and completeness to include that the contractor is billing against the correct Contract Line Item Number (CLIN), Sub-Line Item Number, and Accounting Classification Reference Number (ACRN) and that the appropriate monthly contract data requirements list(s) (CDRL(s)) . . . was timely and accurate.

Based on interviews, observations, and assessment of policies and guidebooks completed as a part of our audit, the invoice review process includes the following steps:

- If required by the contract, the contractor company submits contractor-prepared reports to the Primary COR or all CORs.
- After a DCAA voucher review, where applicable, invoices for cost-reimbursement contracts are received electronically through the Agency’s eCommerce system and then uploaded to the AP subledger within the Financial Accounting and Corporate Tracking System (FACTS).<sup>3</sup> FACTS performs an initial logic check to ensure that the contract and accounting information is accurate. DCAA approved 28 of the 58 invoices we selected for our audit.<sup>4</sup>
- A “proper payment” high-level review is performed by AP Analysts.
  - If defects are found, AP will return the invoice to the contractor, highlighting the defects that are preventing payment. Per the Prompt Pay Act (referenced within FAR 52.232-25, “Prompt Payment,” January 2017), if an invoice is not proper, it must be rejected within seven days from the date the invoice is received.
  - If defects are not found, AP notifies the appointed CORs via an auto-generated email stating that the invoice is ready for review and approval.<sup>5</sup>
- The Primary COR may or may not request that the Technical CORs review the invoice or the contractor-prepared reports related to the invoice.
- If the Primary COR relies on the Technical CORs to review, the Technical CORs may or may not respond back to the Primary COR indicating a review has occurred.
- CORs are given five business days upon receipt of the invoice to approve or reject the invoice in FACTS.<sup>6</sup>

<sup>3</sup> FACTS is the Agency’s integrated financial system of record that delivers a wide variety of finance and business functions through a single point of entry, to include contract funds management and invoicing.

<sup>4</sup> DCAA utilizes a contractor risk-based sampling approach to select interim vouchers for review. For vouchers that are selected, a DCAA auditor will perform review steps to ensure the voucher was prepared in accordance with contract terms and provisions and to pursue adjustments as needed for any overbillings. Based on the review, the auditor will either approve or reject the invoice.

<sup>5</sup> This COR distribution list is derived from the Agency’s CORTOOL.

<sup>6</sup> This is depicted in the VUport online course CONT2490 Financial Responsibilities for CORs.

The CORs are to review the invoice for compliance with applicable contract requirements. The information must be complete, accurate, and valid for payment processing and support compliance with the applicable terms and conditions in the contract. The Prompt Pay Act states that the Agency has 30 days from the date the invoice is received to pay all proper invoices. Per FAR 52.232-25, the goal for this process is to make timely payments to avoid paying an interest penalty.

The OIG assembled a flow chart that comprehensively describes the standard invoice process relative to the COR review and approval steps, as reflected in Figure 2.

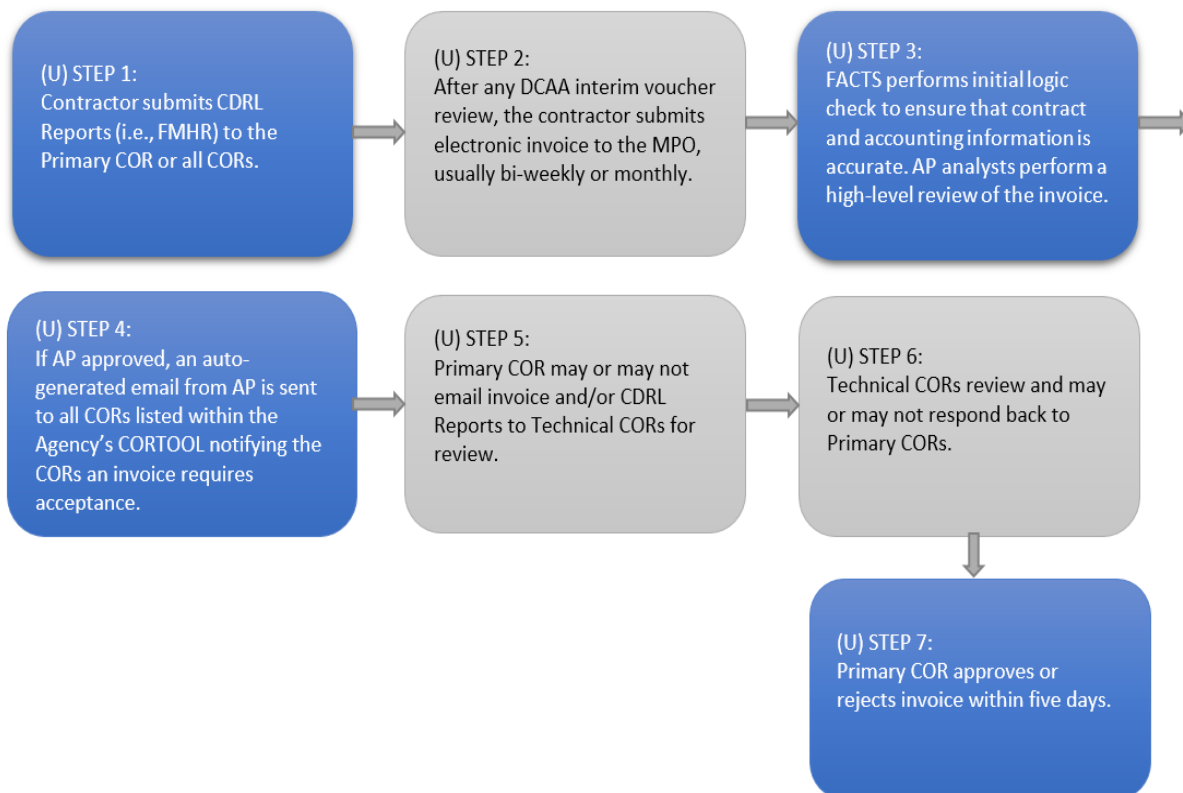


Figure 2: General Invoice Overview Steps<sup>7</sup>

The COR Appointment Letter and Agency training lay out the responsibilities for invoice reviews, but they do not provide procedural guidance to clarify the distinct responsibility for each COR role with respect to invoiced costs. For Primary CORs, the letter states that they “review invoices for accuracy and completeness.” For Technical CORs, the letter indicates that they are to “perform inspection and acceptance as designated by the CO, and to ensure notification is provided promptly to the CO, the Primary COR, and AP of any deficiencies or discrepancies in the supplies/services provided.” However, the letter does not further distinguish between the roles of the Primary and Technical CORs, or state how the CORs are to perform and document their activities.

<sup>7</sup> The blue boxes indicate steps that are required. The gray boxes indicate steps that *may* occur.

In fact, in our interviews, we found that the lack of clarity surrounding role responsibilities led to improper focus among CORs. Specifically, we found that without clearly written procedures for reviewing invoices, CORs were more concerned about the Prompt Pay Act seven-day deadline to reject improper invoices than they were about the actual review process. Per FAR 32.905(a), “payment should be based on receipt of a proper invoice and satisfactory contractor performance.” Prompt payment considerations should not compel contracting officials to accept supplies or services, perform contract administrative functions, or make payment prior to fulfilling their responsibilities. However, in our interviews, we found that the seven-day construct of the prompt payment requirement was influencing the COR invoice review process in a way that was often leaving actual incurred costs unchecked; in Finding 2 we explain how this oversight occurred.

The COR Appointment Letter is also vague on the subject of incurred costs, which it does not explicitly address. The letter addresses rates and factors that comprise costs, but it does not make clear that actual incurred costs must be reviewed by the Primary COR. In fact, none of the invoice-specific duties in the letter involve checking actual costs before or after approval of the invoice.

When we inquired about this, BM&A leadership suggested that checking actual costs is the role of the DCAA auditors. However, through interviews, we found that the role of the DCAA external auditors is encumbered by access limitations (see Finding 3 for more on this issue). Additionally, combination contract types under the Agency’s cost-reimbursement contracts diminish the potential mitigation that external audit oversight can provide.<sup>8</sup> It is essential that the COR Appointment Letter express how invoiced costs are reviewed among each type of COR and the external auditor. Further breakdown of what makes an invoice “complete and accurate” is also necessary for the letter to provide sufficient guidance as to what constitutes due diligence for the cost review.

## Primary CORs Lacked Authority and Did Not Consistently Rely on Technical CORs

The COR Appointment Letter states that “the Primary COR shall ensure effective and efficient communications among the contract administration team to include all appointed CORs, the CO, and the contractor.” Additionally, the letter states that “the Primary COR shall perform the duty of assuring all appointed CORs are performing their respective functions.”

Even though the COR Appointment Letter states that Primary CORs carry out the responsibility for overall oversight of contract performance, the Primary CORs we interviewed did not actually lead or direct the other CORs’ activities. When the OIG inquired as to how Primary CORs know how Technical CORs review invoices, two Primary CORs explicitly stated that they did not have the authority to direct the activities of other appointed CORs on their respective contracts. These Primary CORs did not feel empowered to require affirmative responses from the Technical CORs regarding review of invoices. Additionally, two other Primary CORs explicitly indicated they did not have the authority to direct the Technical CORs with regard to the types of oversight activities to conduct or the documentation to prepare as evidence of the oversight activities performed, even though they relied on these Technical CORs for invoice acceptance and payment.

Of the 18 Primary CORs we interviewed, 13 stated that they relied on Technical CORs as the basis for accepting labor hours and categories, material quantities, and other direct costs. A Primary COR

<sup>8</sup> FAR 16.103, “Negotiation contract type,” allows for the combination of types. The Agency refers to contracts with a combination of types as “hybrid” contracts.

in BM&A stated this is often because the Primary CORs do not have oversight into the validity of the hours being charged since they are not co-located with the contractors and are not aware of the day-to-day technical operations. To gather input from the Technical CORs, 10 of these 13 Primary CORs would send a “review notice” email to the appointed Technical CORs to review charges, and all 10 deemed no response from the Technical CORs as indication of concurrence. Eight of these Primary CORs included a disclaimer in the email that no response by a certain date sufficed as concurrence. Five of the Primary CORs assumed they only received feedback from the Technical CORs when issues or areas of concern arose (known generally as reliance on negative assurance).

According to the COR Appointment Letter and the *COR Handbook*, Primary CORs are responsible for ensuring the accuracy and validity of the invoice charges and must perform due diligence to review these invoice charges prior to approving payment. Part of this due diligence includes relying on the technical expertise of the Technical CORs to assist in ensuring invoice accuracy and validity. Based on the contracts we reviewed, the number of Technical CORs appointed to a contract could range from 1 to 110 depending on how large the contract is and how many technical task orders (TTOs) exist under the contract. For example, 70 Technical CORs were appointed to one cost-reimbursement contract awarded for \$8 million with approximately 77 TTOs.

Although the OIG found that Primary CORs sent invoices to the Technical CORs for verification and concurrence, the instructions provided allowed for payment processing to proceed if a response was not received from the Technical CORs. Out of the 13 Primary CORs that relied on Technical CORs, only 2 required affirmative concurrence of invoice charges, which included following up with the Technical CORs to obtain positive confirmation of concurrence as needed. Therefore, for all of the other invoices, totaling \$238,155,286, Technical COR verification and concurrence of submitted invoices was not documented and their review was assumed rather than positively confirmed in most cases. A Primary COR in B6 stated that Primary CORs may still review each of the TTO charges to determine if they are “reasonable”; however, Technical CORs are often the only ones that can validate actual hours worked given they are often co-located with the contractors and provide the day-to-day technical direction and guidance.

*Therefore, for all of the other invoices . . . Technical COR verification and concurrence of submitted invoices was not documented and their review was assumed rather than positively confirmed in most cases.*

As detailed above, there is no governance structure that enables the Primary CORs to actually lead and direct other CORs in order to ensure appointed CORs are performing their functions, yet Primary CORs rely largely on the Technical CORs’ expertise as the basis for payment of invoices. Although it is commendable that a few Primary CORs were certain that a technical review of the labor hours, categories, and quantities charged on an invoice was performed, the widespread reliance on negative assurance lacks accountability and presents an increased risk of insufficient review and resulting improper payments.



## Communication Processes Lacked Standardization

Effective and efficient communication among appointed CORs is not only essential, but also a mandated responsibility in the COR Appointment Letter. In our interviews, 3 out of 11 Technical CORs appointed to multiple contracts explicitly stated that the Primary COR for each contract communicated differently and had different expectations. There were no standard communication methods or practices within the COR process. One Technical COR stated that there were significant variations among contracts in regard to COR duties. This Technical COR was appointed to four contracts at the time of our audit and stated that standardized practices would be beneficial for efficient and effective review of charges.

The current COR practices present evidence of inefficient and ineffective allocation of responsibilities that are essential to the oversight of costs incurred on cost-reimbursement contracts. The OIG found that there were no standard communication methods or practices within the COR process. Addressing these communication weaknesses and standardizing procedures and templates would assist in standardizing and, thereby, improving the consistency of oversight activities related to actual costs.

### RECOMMENDATION AU-19-0010-1

Develop written procedures documenting the COR process, including a standard governance structure and standard communication processes among CORs to support the Primary COR function. Include invoice review responsibilities among the roles of all four types of COR and expressly address how invoices are reviewed for accuracy and completeness (including rates and factors that comprise costs).

LEAD ACTION: Director, BM&A

### RECOMMENDATION AU-19-0010-2

Update the required COR training to include procedures developed in response to Recommendation 1.

LEAD ACTION: Director, Workforce Support Activities (WSA)

SECONDARY: Director, BM&A

### RECOMMENDATION AU-19-0010-3

Revise the COR Appointment Letter to require compliance with the detailed written procedures developed in response to Recommendation 1.

LEAD ACTION: Director, BM&A

## Insufficient Information Technology Management Tools

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### TTOs Are Not Tracked in Financial Management Systems Resulting in a Manual and Inefficient Process

The Agency continues to have insufficient contract management information technology (IT) tools, which limits its ability to conduct robust contract financial management. Insufficient IT tools cause contract financial management at the Agency to be manual, repetitive, and time consuming.

#### **Manual TTO Structure Difficult to Track**

The TTO concept was created at the Agency to track funds on contracts to specific organizations. The Agency codified the TTO concept in the *Maryland Procurement Office Agency Supplement (MPOAS)*, “Time and Material, Labor Hour and Letter Contracts,” section 316.601-91, 17 October 2016, and incorporates it into contracts via clause 352.216-9012 “Technical Task Orders,” along with incorporating references to TTOs in relevant clauses including the “Invoicing and Payment,” “Approval of Staffing,” and “Rate” clauses.

Notably, the TTO concept is not mentioned in the cost-reimbursement section of the MPOAS, though it is widely used on cost-reimbursement contracts. Nor are TTOs addressed in the MPOAS templates used to document contracting determinations for Task or Delivery Order Contracts. “Task Order” is a widely used federal acquisition term that means an order for services placed against an established contract or with government sources. It is effectively synonymous with “Delivery Order” (DO), which means an order for supplies rather than services. The TTOs used at the Agency are substantively the same as a Task or Delivery Order in terms of function, yet in terms of execution they are treated differently. Every DO should have a Primary COR since they are contracts, yet every TTO does not have to have a Primary COR, since they are not at the contract level. Even though the Agency is correctly assigning the Primary COR to the contract level per existing BM&A policy, TTOs are being executed as essentially “mini-contracts” at the Agency. As detailed below, the way the Agency currently executes TTOs drives the substantial level of effort Primary CORs put into manually tracking funds outside of the financial and contracting systems and may be a contributing factor to unchecked costs.

Because the Agency does not execute TTOs in the same way as a basic contract with DOs, FACTS and Business Acquisition Management (BAM) reports are insufficient for managing TTO funding and costs.<sup>9</sup> Procedurally, TTOs are placed on a contract by executing a contract modification to add CLINs that serve as the place holder for TTOs; other than this step, TTOs are not executed in a standardized manner like all other contracts that include Task or Delivery Orders. As a result, TTO-level contract documents are haphazardly collected outside of BAM in SharePoint and emails, and the financial data is tracked and monitored using Excel spreadsheets instead of FACTS, causing version control to be a manual and administratively burdensome task. Keeping track of the stakeholders (such as all the applicable Technical CORs) who should have a copy of the latest TTO is also a manual process. Aside from TTO references that may or may not have been included in the base contract as a CLIN description, specific TTO terms are not tracked in BAM, even though they serve as part of the contract by documenting discrete organization-specific terms and conditions for costs.

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<sup>9</sup> BAM is the Agency’s central repository system for contracts.

In addition, because TTOs are not distinctly tracked in FACTS, substantial manual work is required for fund management. Funding is executed on a contract by TTO, then apportioned by cost element and fee via an annotation (a footnote) to the ACRN used to fund the TTO, so this apportionment requires manually extracting the footnote information to keep track of the apportionment and to compare to invoices. An invoice billed against such a contract can have one or all of the TTOs included with a mix of cost elements and TTO fees. The lowest level of detail in FACTS is at the purchase-order line level, which contains information at the CLIN level. FACTS can produce a listing of CLINs; however, no expense information is included in this view. Therefore, substantial manual tracking and monitoring outside of the system is required to actually check invoice amounts by cost element in order to ensure that bills do not exceed TTO funding allotment.

Because of the manual work detailed above, we found that Primary CORs must pay close attention to tracking and monitoring funding at the TTO level outside of the financial system. Particularly for larger contracts with numerous TTOs, we determined that at least half of the interviewed Primary CORs expend a significant amount of effort to keep track of funding and estimated billed costs for each TTO and each fiscal year. This process can involve a substantial amount of manual work in an Excel spreadsheet, specifically including cutting, pasting, and joining together TTO data from contractors' financial spreadsheets and CLIN data from FACTS reports. The CLIN data from the contract may or may not be readily available for copying and pasting because of the way the Agency uses TTOs on cost-reimbursement contracts. Because current IT tools do not meet the demand to track funding by TTO, there is a disproportionate focus on updating manual Excel spreadsheets to ensure that there is sufficient funding available for each TTO.

### **TTO Funding Is Not Tracked in FACTS**

In addition to not being tracked in BAM, TTOs are not tracked in FACTS, which, as noted above, serves as the Agency's financial system of record. The Agency incorporates a reference to the TTO in some part of the basic contract information, usually in the CLIN description or another pertinent section of the basic contract, such as notes to the ACRN. This serves as a means of executing a TTO on the contract; however, we found that this approach does not translate into financial reports. We assessed both the end user reports of the system and the information in the Corporate Data Warehouse to understand all the reports and fields, including those fields that were not in the reports but are available for use in the system.<sup>10</sup> We found TTO headers in the data fields we obtained from FACTS. These data fields were for TTO information but were not used, and neither the system nor accounting personnel could explain the fields. We concluded that the inadequate system-generated reports are the cause for the manual tracking and monitoring that appears to be the status quo. Out of the 18 Primary CORs we interviewed, 11 maintained manual "invoice tracker" Excel spreadsheets, as mentioned above, because they could not use FACTS to obtain a detailed funding report or an automated funds check.<sup>11</sup> Tracking funds manually in such a manner creates room for error and becomes the focal point for time spent on financial management.

<sup>10</sup> The Corporate Data Warehouse is the Agency's central repository for all Agency business data. This repository combines business data from 57 source systems of record into a single repository.

<sup>11</sup> For these 11 Primary CORs, either they, an appointed Administrative COR, or a Systems Engineering and Technical Assistance (SETA) contractor kept track of funding via a manual invoice tracker spreadsheet.

Additionally, because TTOs were not tracked in FACTS, AP did not have all the necessary information to manually verify that invoiced costs were within a specified period of performance (PoP) for each TTO. TTOs may have shorter PoPs than that of the entire contract. This level of detail was not in FACTS, which is problematic because it is a consideration that impacts whether an invoice should be rejected or approved.

In our examination of FACTS' capabilities, we learned that the Agency's Corporate Management Information System (CMIS), which is used to prepare requisitions to obtain funding for contracts and interfaces with FACTS, had a number of fields that appeared to be for TTO-specific data. None of the TTO fields we found were being utilized. BM&A could not recall any inquiries or system-enhancement requests that pertained to TTOs. We were unable to identify why TTO data is not tracked in FACTS. Although there would be time and work on the front end to set up TTOs as "mini-contracts" or DOs in FACTS, the time savings on the back end related to the duties of the CORs would be significant. Another benefit would be a more automated process that leaves less room for manual errors. It would also increase transparency since all details would be recorded in the accounting system of record.

The manual process employed for TTOs consumes financial management time disproportionately on TTO funds management, diminishing time for due diligence expended for cost oversight activities and thereby increasing the risk of improper payments. Moreover, not utilizing the source systems of records for contracts and contract financial information increases the risk of funds misuse. Further, the lack of standardization creates inefficiencies within the process, and the lack of automation creates room for error. As a result of these considerations, there is an increased risk of noncompliance with contract terms and conditions.

#### **RECOMMENDATION AU-19-0010-4**

Develop a system to track and store TTOs in a centrally managed location or repository system.

LEAD ACTION: Director, BM&A

#### **RECOMMENDATION AU-19-0010-5**

Evaluate whether utilizing the existing TTO fields in FACTS to keep track of TTO terms and conditions could improve the efficiency and effectiveness of reviewing the expenses charged against TTO funding. If so, develop and implement procedures as appropriate relevant to the use of the TTO fields in FACTS.

LEAD ACTION: Director, BM&A

## RECOMMENDATION AU-19-0010-6

Evaluate the possibility of executing TTOs in a similar manner as DOs, or similar steps to improve the efficiency and effectiveness of managing contracts with numerous TTOs. If so, develop and implement procedures for executing TTOs in this manner.

LEAD ACTION: Director, BM&A

### Lack of Internal Controls Surrounding the CORTOOL

The CORTOOL is the system that tracks COR nominations, appointments, and terminations, and it enables the identification of appointed CORs for every contract in the Agency. For example, the listing of CORs within the CORTOOL is used to send an auto-generated email from AP to the appointed CORs of that specific contract when an invoice is ready for approval. Although the focus of our audit was not the CORTOOL, we used the CORTOOL to obtain COR information related to cost-reimbursement contracts and noticed that it was not always up to date. Additionally, a few Primary CORs expressed concern to the OIG that the CORTOOL may have outdated CORs listed. We found that there is a lag between the time when a change is requested and when the CORTOOL actually reflects the change. The CORTOOL is populated by individuals making self-nominations and self-termination requests, which are routed to the COR supervisor for approval and then to the CO for approval, the latter of whom actually removes the individual from that contract. We found that CORs do not always know that they need to nominate or terminate themselves, likely leading to the information in the CORTOOL being outdated.

Moreover, when the system is not updated, this creates problems. One Technical COR we interviewed submitted the applicable COR Termination Letter through the CORTOOL; however, months later, this Technical COR learned that the termination was not completed because the CORTOOL routed the request to a CO who was no longer on the contract. Only the CO can ultimately terminate a COR's Appointment Letter. The approval was stuck in the CORTOOL approval workflow and was never reassigned to the new CO.

The nomination process presents administrative hurdles that do not align with the day-to-day demands of keeping account of responsible authorized parties and enabling them to manage responsibilities when transitioning in and out of new roles. The process can be burdensome and time consuming, involving the COR, the COR's supervisor, and the CO. Aside from day-to-day operational scenarios, BM&A's apprenticeship model for training Primary CORs often involves development rotations on a regular basis. Improvement to the CORTOOL workflow for nominating and terminating CORs could make these transitions smoother.

Because the CORTOOL was not accurate, we found that Primary CORs used workarounds. For example, based on our interviews, Primary CORs would develop and reuse a personal email distribution list in Microsoft Outlook, Excel, or Word instead of generating an email distribution listing from the CORTOOL. We found that this practice caused gaps in communications. The Primary CORs would only update their personal email distribution listings on a periodic basis, if at all, rather than generate



an email distribution from the CORTOOL. One of the interviewed Technical CORs noticed, during our interview, that they never received a monthly “invoice review” email from the Primary COR. We brought this to the attention of the Primary COR and learned that the Primary COR kept an email distribution list of Technical CORs outside of the Agency’s CORTOOL and that it had not been updated with this specific Technical COR.

If the CORTOOL was used as a control point for maintaining a current, accurate, and complete database of CORs, Primary CORs could use it as a source for identifying and communicating with other CORs. Additionally, it is imperative for the CORTOOL to function effectively because it is used by AP to send invoice notification emails to all CORs. The CORTOOL should be a reliable source for anyone with a need to identify points of contacts for a given contract or to generate a complete listing of CORs for effective and efficient identification and communications among all CORs.

### **RECOMMENDATION AU-19-0010-7**

Perform a review of the CORTOOL to determine if the content is accurate and up to date for current appointed CORs, and update it as needed.

LEAD ACTION: Director, BM&A

### **RECOMMENDATION AU-19-0010-8**

Develop and implement a process to periodically ensure that the CORTOOL is accurate and up to date.

LEAD ACTION: Director, BM&A

### **RECOMMENDATION AU-19-0010-9**

Assess the user-friendliness and functionality of the CORTOOL and determine if any enhancements should be made. Implement any enhancements deemed warranted.

LEAD ACTION: Director, BM&A

## **CORs Appear to be Overloaded With Work**

In addition to the issues with IT tools discussed above, it appears that the Agency continues to have insufficient personnel resources in the contract management areas. During interviews related to the OIG’s preparation of the Top Management and Performance Challenges in 2020, senior leadership in BM&A told the OIG that there were significant ongoing concerns as to whether NSA has sufficient

resources in the area of contract management. As detailed above, insufficient IT tools often cause contract analysis at the Agency to be manual, repetitive, and time consuming. The OIG was told that this results in CORs being overloaded with more non-substantive work that does not involve validating costs.

Invoice review and approval is just one of the many duties assigned to Primary CORs. Aside from voucher reviews and maintaining spreadsheets on TTO-level funding and costs, cost-reimbursement contract specific COR responsibilities for each contract per the *COR Handbook* include:

- Perform periodic head count of contractor personnel to ensure contract is staffed as required.
- Ensure contractor has a Value Engineering Program in effect.
- Review all expenses and report findings to the CO.
- Ensure that selected supplies, services, and materials are necessary and authorized by the contract.
- Ensure contractor performance complies with the technical requirements set forth in the contract.
- Ensure timely notification by contractor on anticipated overruns.
- Evaluate Earned Value Analysis to ensure cost/schedule/performance controls.
- Provide technical guidance to contractor when required.
- Verify that the work being billed has, in fact, been accomplished.
- Ensure, if contract is TTO driven, that the TTOs are properly processed and signed prior to execution of the work.
- Verify that labor hours identified in task orders are provided in the proper labor categories and amounts.
- Verify place of performance, ensuring it does not conflict with contract requirements.
- Review fund expenditure reports and track against obligated funds, ensuring contractor does not expend more than obligated.
- Remind contractor that it is a contract requirement to formally notify the CO 60 days prior to having expended 75 percent of the contract amount.

Per FAR 16.301-3, a cost-reimbursement contract type may only be used when prior to award adequate government resources are available to award and manage the contract. During interviews, the majority of Primary CORs indicated their reliance on Technical CORs to review invoice costs because the Primary CORs had so many other responsibilities. In fact, one Primary COR explicitly stated that Primary CORs have too many responsibilities and, overall, too heavy of a workload. Another Primary COR stated only one to two hours of time could be spent on the monthly invoice review and approval process with all the other competing priorities. We found that there were some tools available to CORs, such as an Invoice Voucher Review Checklist and an Annual Contract Audit Checklist; however, there were no procedures in place to verify the checklists were used and sufficient review was actually performed. Moreover, we determined that no one is being held accountable for reviewing costs.

Technical CORs also appeared to have a heavy workload. The Technical COR role is a duty assigned to Agency staff performing in other work roles like a Technical Manager Supervisor or a Deputy Chief. In our audit, we found that Technical CORs were often appointed to multiple contracts and TTOs. One interviewed Technical COR was responsible for reviewing the labor hours for approximately 80 contractors over a span of 12 contracts. Another Technical COR stated that this is a “big” process for her, with over 50 contractor employees—whom this individual has never met and who sit in different locations around NSAW—on her applicable TTO. This Technical COR noted that observation of the work performed and site visits should be the norm. However, the workload of Technical CORs, in addition to the responsibilities of their primary work roles, often does not allow time for this sort of oversight.

The Agency continues to have insufficient personnel resources in the contract management arena, which limits its ability to conduct robust contract surveillance, management, and administration. This audit substantiates a high attrition rate of acquisition professionals, which found that staffing support, experience, and effort applied to current contract formation and award amounts were not aligned with those needed for contract administration. We determined that this can be attributed to COR heavy workloads. In fact, 7 of the 18 interviewed Primary CORs, who were the Primary CORs appointed at some point within the period from 1 June 2018 through 31 May 2019, were no longer the Primary COR appointed to the same contracts as of the date interviewed. Reasons included rotating to new contracts as part of a BM&A rotational program and Primary CORs having too heavy of a workload, making the job undesirable. Additionally, one was just an interim Primary COR because the former Primary COR left the Agency. As a result, we believe that COR retention should be further analyzed to gain better insight on high turnover and how to balance the workload to allow for appropriate contract oversight.

### **RECOMMENDATION AU-19-0010-10**

Perform an evaluation of the workload for Primary and Technical CORs and determine if sufficient resources are provided for cost-reimbursement contract administration given the increased risk, the complex TTO construct, and the tight time constraints. As appropriate based on the evaluation, develop a plan to implement and obtain additional personnel resources, as determined necessary.

LEAD ACTION: Director, BM&A

## FINDING 2: Agency review of actual costs was insufficient.

The Agency was not performing sufficient review of actual costs on cost-reimbursement contracts. This was due to contract clauses not being enforced, a lack of focus on actual costs with an overemphasis on tracking funding by TTO, an overreliance on contractor-provided reports, and a lack of risk assessments for high-risk contractors. Noncompliance with contract clauses and insufficient billing documentation caused us to question labor charges of approximately \$227 million and travel charges over \$226,000, approximately 75 percent of the total costs in our invoice sample. As a result, the Agency is exposed to the risk of further labor mischarging and has increased risk of making improper payments as a result of paying for unallowable costs.

### Contract Clauses Not Enforced

A cost-reimbursement contract provides for payment of allowable incurred costs to the extent prescribed by the contract. FAR 31.201-2(d) states that the contractor is responsible for accounting for costs appropriately and maintaining records, including supporting documentation, adequate to demonstrate that costs claimed have been incurred, are allocable to the contract, and comply with cost principles in FAR 31.2 and agency-specific clauses. The COR may reject an invoice in full or in part due to a claimed cost that is inadequately supported.

The Agency has recognized there is a need to mitigate risks associated with cost-reimbursement contracts, specifically labor costs, and has implemented a number of standardized contract clauses as measures to control those costs.<sup>12</sup>

### Invoices Lacked Sufficient Labor Billing Details

#### Updated MPOAS Clause Requiring Invoice Details Not Present in All Open Contracts

Billing details (e.g., name, labor category, hourly rate, hours worked, and total billed) are essential for validating that appropriate individuals are assigned to the contract, correct labor category rates are charged, and labor rates are acceptable.

The OIG's *Audit of Contractor Qualifications* revealed that some CORs did not perform detailed reviews of labor charges because contractor companies were not providing invoice details at a contractor-personnel level. As a corrective action to address this finding, the Chief of Contracting issued a

<sup>12</sup> Three OIG audits provided recommendations to improve oversight of costs: *Audit of Contractor Qualifications* (AU-13-0019), 3 September 2014; *Audit of the SERENITYNOW Contract* (AU-15-0009), 20 April 2016; and *Audit of the Institute for Defense Analysis* (AU-13-0017), 25 June 2014. These recommendations have been closed based on the OIG's determination that the Agency had taken sufficient action to meet the intent of the recommendations regarding the contracts at issue. Nevertheless, some of the underlying problems are continuing to recur, and other new challenges have arisen. See Appendix A for a more detailed discussion of the OIG's prior audit work in this area.

memorandum in December 2014 that revised the MPOAS clause 352.232-9016, “Invoicing and Payment – Alternate I,” for all new cost-reimbursement contracts to require more detailed invoice information.<sup>13</sup>

The clause, as well as the *COR Handbook*, state that the COR is required to review and approve invoices as part of the payment process. Further, the clause states that in order for the COR to conduct a complete and thorough invoice review, the contractor shall provide the following as an invoice attachment for each applicable TTO:

1. The individuals by labor category being billed for the invoice period,
2. The hourly rate for each category/individual,
3. The total number of hours per category/individual, and
4. The total amount billed for each category/individual

The OIG reviewed 18 contracts, inclusive of 58 invoices, to determine whether the clause was included. We found that of the 18 contracts, 13 included the updated clause either in the original contract or in a contract modification. The other five contracts were initially awarded before December 2014, and the clause was not applicable at that time. However, these five contracts remained open at the time of our audit as the Contracting office has continued to add funding and extensions to the contracts. In response to a draft of this report, the Contracting office indicated that all cost-reimbursement contracts have been modified several times via block modifications. At the time of our audit, the block modification effective 2 May 2016 was in effect for these five contracts. Block modifications are not stored in BAM along with the individual contracts. Per the Contracting office, block modifications are emailed to the workforce and should be printed by the COR and added to the hard copy contract file. Further, the Contracting office explained that when an individual contract is modified, any applicable block modification clause(s) relevant at that time are not added when that individual contract is modified. It appears to the OIG that the current process for block updating MPOAS clauses is ineffective because the process to communicate the blanket contract modifications to all stakeholders responsible for enforcement of the clause does not ensure appropriate notification of the CORs appointed to the individual contracts. This is vital because Primary CORs often rotate or have an overly full plate of work, thus the lack of consistency and transparency in updating clauses has a significant potential impact on the accuracy in effective contract oversight.

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<sup>13</sup> All subsequent versions from December 2014 and later of the MPOAS “Invoicing and Payment” clause still contain this requirement. MPOAS Clause 352.232.9016 was replaced with 352.232.9015 effective 2 March 2020 via a block modification. Block modifications are issued to modify a large number of contracts involving multiple contractor companies at once, instead of updating each individual contract at that point in time. The terms and conditions in a block modification are enforceable. This modification still contains the requirement that all invoices contain the same level of billing details quoted in this section as an invoice attachment for each applicable TTO.



## RECOMMENDATION AU-19-0010-11

Develop and implement a comprehensive process for updating MPOAS clauses for all cost-reimbursement contracts to ensure awareness by all CORs, including a centralized, accessible location to store block modifications. Incorporate the process and reference to the centralized location in the written procedures developed in accordance with Recommendation 1.

LEAD ACTION: Director, BM&A

### Updated MPOAS Clause Requiring Invoice Details Not Being Enforced Even When Prescribed by Contract Terms

The 58 invoices, valued at \$304,247,736, contained the updated MPOAS “Invoicing and Payment” clause either in the original contract, a modification to the contract, or a block modification. Five invoices were for award fee only and, therefore, labor billing details were not applicable. Of the 53 remaining invoices, 37, or 70 percent, totaling \$181,886,998 did not contain the required billing details—either on the invoice or on invoice attachments—necessary to enforce contract terms per the updated clause. Therefore, we question the entire labor portion of these invoices, which totaled \$146,145,763.<sup>14</sup> For 23 out of these 37, or 62 percent of these deficient invoices, we found that the CORs relied on contractor-prepared reports to approve costs.

The CDRL specifies, through the use of Data Item Descriptions (DIDs), exactly what data the contractor is to formally deliver to the Government, the delivery format, frequency of delivery, distribution of the delivered data, etc. The CDRL often requires contractors to provide contractor-prepared reports. Per BM&A’s DIDs, these types of reports provide government visibility into contractor direct and indirect expenditures—including tracking both planned and actual expenditures and labor hours against baseline values—and provide estimates of completion. However, these contractor-prepared reports, such as the Funds and Labor Hour and Expenditure Report (FLHER) and the Funds and Man-Hour Expenditure Report (FMHR), do not provide details required to be included on invoices, such as name and hours worked per individual. Rather, these contract requirements measure the value of work completed in a given period compared to the planned value of work scheduled and the actual cost of work invoiced to date.

In our review, we found that 10 out of 18, or 56 percent, of the Primary CORs used the available contractor-prepared reports; however, the reports did not provide the level of detail necessary to adequately support the charges. For 4 of the 23, or 17 percent of the corresponding invoices, the Primary COR no longer had examples or access to the supporting reports (e.g., FMHR, FLHER) as they were no longer the Primary COR for the pertinent contract. For 6 of the remaining 19, or 32 percent of the invoices, the invoice documentation along with the contractor-prepared reports still did not provide essential billing details at the contractor personnel level to perform sufficient review and oversight of contract terms related to costs. This lack of detail made it impossible for CORs to

<sup>14</sup> Questioned costs are incurred costs that are questioned because of a possible violation of a provision of law, regulation, or other agreement or document governing the expenditure of funds.

validate the accuracy of labor categories per individual in the contract and to determine whether billed rates fell within the 20 percent acceptable threshold for which contractor personnel were assigned (see “Approval of Staffing Clause Not Being Consistently Enforced,” below, for more on this issue). Only the anticipated individual rates were provided during the funding of the TTOs, and these were checked against the contract rates, but the actual billed rates were never provided to ensure the rates were under the 20 percent threshold. These invoices should have been rejected by the CORs because they did not contain the elements the MPOAS “Invoicing and Payment” clause required, but they were paid, despite the corresponding risk of improper labor payment.

It is unclear to the OIG who, if anyone, holds the CORs accountable for invoice review. Interviewed COs, who on average were managing 13 contracts at any point in time, stated that they do not know if sufficient review is performed by CORs as the COs do not see the invoices. The COs stated that invoice review is one of the Primary COR’s primary functions. The COs were unaware if there was a review process to ensure compliance or if there was an Agency process to address the issue. The COs also referred us to the Primary CORs when we inquired about contractors providing sufficient billing details per contract terms and conditions. Further, we reached out to one of the division chiefs for a COR we interviewed to see if the chiefs hold the CORs under them accountable. We learned that the chief did not review invoices at all, even on a periodic basis, after they were approved by a Primary COR. The division chief also stated that for this particular contract, neither the invoice nor the invoice attachments contain individual names with loaded rates because the contract does not call out this requirement at the individual level. However, per our review of a contract modification, the MPOAS “Invoicing and Payment” clause, May 2016, is listed in the contract terms and conditions, yet the chief of the COR was not aware that this was a requirement and that the contract clauses were not being enforced. This again suggests a lack of due diligence in enforcing contract terms and conditions.

## RECOMMENDATION AU-19-0010-12

Develop and implement a comprehensive process that ensures accountability and oversight enforcement on all cost-reimbursement contracts required by the MPOAS “Invoicing and Payment” clause.

LEAD ACTION: Director, BM&A

## MPOAS “Approval of Staffing” Clause Not Being Consistently Enforced

The MPOAS clause 352.290-9022, “Approval of Staffing” (AoS), is included in the majority of cost-reimbursement type contracts.<sup>15</sup> In an effort to control costs on cost-reimbursable level-of-effort

<sup>15</sup> There were three contracts (eight invoices) in the samples we reviewed that did not contain this clause.

(LOE) type contracts, the CO must include the contract labor rate in clause 352.290-9022 of the contract.<sup>16</sup> This clause states:

The Government has an approval of staffing waiver process in order to control staffing cost increases associated with this cost reimbursable Level of Effort contract. If any Prime or Subcontractor staff member's loaded hourly labor rate is equal to or greater than twenty percent (20%) above the contract labor rate as stated above, for the base or any option period, Government approval of such waiver is required. Written notice of such approval shall be provided to the Contractor from the Contracting Officer. For planning purposes, this approval process will take approximately 45 business days. This waiver requirement applies to any individual who directly charges this contract for 24 hours or more in a calendar month.

The *COR Handbook* states that a "valid voucher contains labor hours [that] do not exceed the 'Approval of Staffing' threshold rates as set forth in the contract." The AoS clause also requires hours be provided by labor category.

The OIG reviewed 58 invoices for costs incurred and billed against 18 contracts. The AoS clause was in 15 of the 18, or 83 percent of these contracts. The other three contracts were deemed by NSA to be completion form contracts, and as noted above, MPOAS only explicitly states that LOE form contracts must include this clause.<sup>17</sup> The MPOAS a clause that prescribes a preapproval process for individual contractor labor rates that exceed the fully loaded hourly labor rate for the labor category they are to fulfill (hereafter referred to as the "AoS rate"). Per this clause, the prime contractor fee is removed from the fully loaded hourly labor rate when assessing the labor rates compliance.

The purpose of the AoS process is to control labor cost increases associated with the Agency's LOE contracts. If any prime or subcontractor staff member's proposed fully loaded labor rate without the prime contractor's fee is equal to or greater than 20 percent above the AoS rate as stated in the contract, a waiver must be approved by Contracting Office Chief, Program Executive Officer, Government Program Manager(s), and the CO. The contractor is required to submit the AoS waiver in writing to the CO through the COR. The waiver must be submitted within 30 calendar days of this notification in order for the individual to be allowed to continue to perform under the contract and invoice the Government at the staff member's actual rate. Failure to notify the Government within 30 calendar days may result in non-payment of the Contractor invoice(s) for labor charges.

As written, the clause appears to place compulsory compliance on the contractor to self-identify and self-report any labor rates that would exceed this clause. Yet, based on our review of the "COR/POC [Point of Contact] Payment Voucher Review Checklist" in the *COR Handbook*, it is the responsibility

<sup>16</sup> Per FAR 16.306(d), an LOE form of contract describes the scope of work in general terms and obligates the contractor to devote a specified level of effort for a stated time period. If the performance is considered satisfactory by the Government, the fixed fee is payable at the expiration of the agreed-upon period, upon contractor statement that the level of effort specified in the contract has been expended in performing the contract work.

<sup>17</sup> Per FAR 16.306(d), the completion form of contract describes the scope of work by stating a definite goal or target and specifying an end product. This form of contract normally requires the contractor to complete and deliver the specified end product within the estimated cost, if possible, as a condition for payment of the entire fixed fee. However, in the event the work cannot be completed within the estimated cost, the Government may require more effort without increase in fee, provided the Government increases the estimated cost.

of the COR to check individual labor rates as a part of reviewing each invoice and to verify if waivers are on file for contractor personnel who exceed the negotiated labor rate by over 20 percent. We found that many of the CORs relied on compliance by the contractor; because of this, we identified instances, as noted below, where the rates billed exceeded the AoS clause 20 percent threshold without a waiver in place.

Our sample of 58 invoices included 8 invoices that related to the three contracts without the AoS clause and 5 invoices that were for award fee only. Of the remaining 45 invoices, we found that only 4, or 9 percent, charged to two of the contracts, provided sufficient information to actually check for compliance with the staffing clause. Of these two contracts, one contractor commendably included ceiling rates in the invoice, providing a readily available comparison of its billed rates to the AoS rates. This format enables readily checking the billed and contract rates at a glance. This was not standard or required, however, and the range of cost details for labor varied from including rates by individuals to not including individual rates but instead including price only by labor categories.

One of the other contracts in our sample had 11 invoices subject to AoS compliance requirements and the Primary COR for that contract acknowledged that although sufficient billing detail was provided, she did not check for compliance with this clause. We discovered three instances of contractor personnel billing rates that exceeded the 20 percent threshold.

When asked to explain, the Primary COR told the OIG that for two of the contractor personnel, waivers were submitted to the Government and were being routed through the approval/rejection process “as we speak.” The contractor submitted the waiver requests in August 2019. Our inquiry about the rates took place in November 2019 and the charges for these two contractor personnel were on an invoice submitted in February 2019, nine months after the fact. There was no waiver submitted for the third contractor personnel and there was no explanation as to why a waiver was not submitted. Additionally, one of the contractors who billed 98 hours to FY 2019 funding was billed at a rate that was more than double the amount of the AoS rate for FY 2018; while the Agency was only billed for a tenth of an hour at this rate, the same person was also billed for FY 2019 charges at a rate that was below the applicable staffing rate for FY 2019 and more than two times lower than the rate used for the FY 2018 charges. The Primary COR could not explain this rate anomaly. All of which leads the OIG to question the effectiveness of the clause.

The Primary COR told the OIG that actual rates are not reviewed to check the billed rates for compliance with this clause. She said that with over 77 TTOs and 500 contractor personnel under this contract, it would be too cumbersome and time consuming for the Primary COR to check the actual billed rates and compare them to the threshold rates set forth in the contract. This Primary COR also extrapolates the invoice to remove the hourly rates and extended prices before emailing the Technical CORs for their review, so that the Technical CORs are more focused on the labor categories and labor hours billed. As it currently stands, this process makes it virtually impossible for the Technical CORs to share the responsibility of reviewing any rates. To corroborate this, we interviewed Technical CORs for this same invoice and we were told they do not review rates for their respective TTOs. The total questioned labor costs of the 11 invoices for this contract is \$80,782,025.

The other 30 out of 45, or 67 percent, of the invoices and invoice attachments did not include labor billing rates by individuals or enough detail to compute the labor rates. Therefore, they could not be

readily compared to the AoS rate thresholds. The Primary CORs for these contracts told the OIG that they relied mainly on the contractor to self-report rates in excess of the clause prior to billing at the higher rate, and the Technical CORs were not tasked with reviewing labor rates at all. Rather, the Technical CORs were tasked with reviewing labor hours and categories for each individual under their purview. The OIG determined these invoices were paid based on cursory level reviews that did not involve checks for compliance with the clause. The labor charges for these invoices amounted to \$133,681,614; however, this amount is already accounted for in the section “Updated MPOAS Clause Requiring Invoice Details Not Being Enforced Even When Prescribed by Contract Terms” above.

As mentioned previously, it is unclear who, if anyone, holds the CORs accountable for invoice review. Further, as described in Finding 1, it is unclear to what degree the Agency expects CORs to review actual costs billed at all. Interviewed COs stated that contractors are usually cautious about not exceeding the 20 percent threshold rate as it would be against the terms of the contract if they did. COs also noted that there are also award fee criteria for the contractor to control their costs, including that the better they control their costs, the higher the award fee score for that category.<sup>18</sup>

Historically, the OIG has found and reported similar problems with reporting in this area. The *Audit of Contractors Qualifications* found 14 contractor personnel in one month who exceeded threshold rates. Because the clause is nominally required, a false sense of management control over costs is created. Additionally, given the current process and time constraints, it appears to be unrealistic to check all the rates for compliance with this clause in a timely manner. There is no assurance that actual rates are being reviewed, particularly at an individual contractor employee level. Without consistent review of actual rates charged by the contractor, there is an increased risk that contractors could overcharge the Government. Further, the contract clause is an ineffective cost control given that there are no procedures in place to ensure that it is being enforced.

### RECOMMENDATION AU-19-0010-13

Develop and implement a standardized process for review of actual labor rates to enforce the “Approval of Staffing” clause.

LEAD ACTION: Director, BM&A

### RECOMMENDATION AU-19-0010-14

Consider making the staffing approval rates, along with the actual labor rates, a required component of the standard invoice and invoice attachments. Implement that requirement as determined appropriate.

LEAD ACTION: Director, BM&A

<sup>18</sup> In the *Audit of Award Fee Contracts* (AU-17-0008), 27 March 2019, the OIG found that there was insufficient evidence to support the determination that the use of award fee contracts and the award fee percentages established under the contracts were appropriate as properly justified and documented and in the best interests of the Government. The audit questioned \$636 million in award fees associated with 54 contracts.



## Overreliance on Contractor-Provided Reports

Of the 18 Primary CORs responsible for the approval of invoices from our sample selection, 10, or 56 percent told us that they rely mainly on contractor-provided monthly reports to perform cost review. This accounted for 23 invoices within our sample of 58. For 4, or 17 percent of these 23 invoices, the Primary CORs no longer had supporting reports or access to the reports at the time of our interview because they were no longer appointed to the contract. Therefore, we were unable to review the reports for those invoices. For 9, or 47 percent of the remaining 19 invoices, the OIG reviewed the contractor-provided reports—such as the FLHER or FMHR—and found that they did not reconcile to the grand total of the invoice approved for payment. One of the differences was approximately \$500,000. The CORs told us that the differences were probably due to delayed subcontractor billing; however, most of the Primary CORs indicated they do not take steps to validate such differences. Moreover, some subcontractors billed the Agency for hours worked several months before the current invoice period, and the CORs whose contracts had these differences stated they never requested additional documentation beyond what the contractor sent.

The OIG found that the reports do not provide enough information to perform sufficient surveillance of actual costs. The Agency's reliance on contractor-prepared reports in lieu of vendor invoices is not a sufficient control to ensure invoiced costs were allowable in accordance with the contract. Support for actual costs, such as travel receipts and subcontractor invoices, should be obtained to determine allowability and allocability under FAR 31.201. Therefore, the review of these contractor-provided reports alone does not satisfy FAR requirements (described in the next section) for cost surveillance under cost-reimbursement contracts.

### RECOMMENDATION AU-19-0010-15

Develop a basic standard documentation requirement that requires contractor companies to submit level of detail (e.g., task, individual, labor categories, labor rates, hours, and total billed) within the standard invoice and invoice attachments. Implement a process to ensure that contractor companies submit the level of detail within the invoice and invoice attachments necessary for CORs to complete a sufficient invoice review.

LEAD ACTION: Director, BM&A

## Lack of Focus on Actual Costs; Over Emphasis on Tracking Funds

FAR 52.216-7 permits CORs to request records for evaluating the accuracy and completeness of incurred costs. It also states that “the Government will make payments to the Contractor . . . in amounts determined to be allowable by the CO in accordance with FAR 31.2. If sufficient billing details are not available to allow sufficient review of costs, CORs should work with the COs and contractor companies to obtain additional support.” FAR 52.215-2 also conveys that the “Contractor shall maintain and the CO, or an authorized representative of the CO, shall have the right

to examine and audit all records and other evidence sufficient to reflect properly all costs claimed to have been incurred or anticipated to be incurred directly or indirectly in performance of this contract.”

To supplement these FAR sections, the *COR Handbook* provides CORs with general guidance on reviewing contractor invoices. The guidance covers validating the accuracy of hours and types of labor, and the method for calculating the total billed. During this audit, we found five Technical CORs who relied on a “reasonableness” check of labor hours worked, such as verifying hours billed are not over the total amount of potential working hours for the period invoiced. In fact, it is only “discretionary,” per the COR Appointment Letter, to perform a periodic surveillance of work at the contractor’s place of performance and/or a periodic check of the contractor’s timesheets (official record of hours worked).

One area of cost where a high-level review of “reasonableness”—rather than a detailed review of supporting documents—raised concerns was with travel costs. Of the 18 contracts we reviewed, 16 included MPOAS clause 352.232 “Reimbursement for Costs – Limitation of Cost,” which expresses that travel and lodging shall be reimbursed at cost. Additionally, meals and incidental expenses shall be reimbursed at the applicable flat rate or the balance up to the applicable not-to-exceed established rate. The total of lodging, meals, and incidental expenses shall not exceed the established rate for each location as set forth in Joint Travel Regulations (JTR) policies and laws. The JTR implements policies and requirements that establish travel and transportation allowances, ensuring lodging, meals, and incidental expenses do not exceed the established rates for the specific travel location.

Of the 58 invoices we sampled, 25 contained travel costs. We found that 24 of 25, or 96 percent of these invoices did not have sufficient accompanying supporting documentation. For 23 of the invoices, there were no source documents or receipts to support the amounts charged by the contractor. In addition, we found one invoice accompanied by an airfare receipt, but the receipt only accounted for 38 percent of the total travel expenses billed on that invoice. The total travel costs in question amount to \$226,693. Despite the manifest lack of support necessary to validate that costs were in compliance with applicable contract clauses, these charges were approved and paid. Most Primary CORs with whom the OIG spoke were aware that they could request additional support from the contractors, as indicated by the FAR, but they did not do so. Reasons for not requesting additional support provided to the OIG included that the budgeted travel was pre-approved, so they did not see a need to request additional support of the actual costs, though of course that does not ensure that the payments made did not exceed the costs incurred in the approved travel.

Without receipts or supporting documentation for actual travel costs, it is difficult, if not impossible, to determine if the contractor travel charges were allowable per JTR policies and laws. Review of actual costs is necessary for determining allowability as prescribed by the FAR 31.201-2. Moreover, the OIG found that there was an emphasis on tracking funding and spending at the TTO level that took the place of reviewing actual costs for reasonableness and appropriateness. Appropriate government surveillance during performance (FAR 1.602-2) and reasonable assurance that efficient methods and effective cost controls are used (FAR 16.301-3) are necessary when selecting a cost-reimbursement contract type. The Agency has not demonstrated that it is exercising cost controls over actual costs that are commensurate with the risk associated with cost-reimbursement contracts in its environment. Without review of actual costs and supporting documentation, there is no way for the Agency to ensure the costs are allowable and allocable.

*The Agency has not demonstrated that it is exercising cost controls over actual costs that are commensurate with the risk associated with cost-reimbursement contracts in its environment.*

Historically, the OIG has found and reported similar problems. The *Audit of the Federally Funded Research and Development Center – Institute for Defense Analyses* concluded that contract oversight must be more rigorous and needs to include examination of supporting documentation for costs charged to the contract. The *Audit of SERENITYNOW* concluded that CORs needed greater focus on actual costs. That report also contained questionable travel charges on the basis of the lack of supporting documentation available. Although the OIG determined that the Agency had taken sufficient action to close the recommendations in those audits by addressing the findings on the specific contracts at issue, the Agency did not take steps to incorporate the corrective actions into standard operating procedures across all cost-reimbursement contracts and, consequently, did not address the root cause of the problem.

#### **RECOMMENDATION AU-19-0010-16**

Develop and implement a process for ensuring that CORs validate actual costs for the contractors and sub-contractors on cost-reimbursement contracts.

LEAD ACTION: Director, BM&A

Noncompliance with contract clauses and insufficient billing documentation caused us to question total labor charges of \$226,927,787 and travel charges of \$226,693.<sup>19</sup> The total of the 58 sample invoices was valued at \$304,247,736; therefore, we questioned approximately 75 percent of the costs charged for these invoices.

#### **RECOMMENDATION AU-19-0010-17**

Research the questioned labor and travel charges and request additional documentation from the contractors as necessary to determine allowability. If any charges are unallowable, recover, as necessary.

LEAD ACTION: Director, BM&A

<sup>19</sup> Per the MPOAS clause, the term “contract labor rate” represents a fully loaded weighted average hourly composite labor rate representative of the prime and all subcontract staff members with or without prime Contractor’s fee. Accordingly, invoices prepared by different contractors included varying degrees of cost details. Some invoices itemized labor, subcontracts, and indirect costs separately, while others lump all into the labor category. Based on the definition of contract labor rates, we determined labor, subcontracts, and indirect costs in total is the most accurate representation of true labor costs on these invoices.

## Lack of Risk Assessment or Additional Procedures for Contractors With a History of Labor Mischarging

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FAR 16.103 (d)(1)(ii)(C) states that “how the [G]overnment intends to manage and mitigate the risks associated with cost-reimbursement contracts is a requirement of acquisition planning.” When the Government selects a cost-reimbursement contract, it incurs additional cost risks, and the Government has the additional burden of managing the contractor’s costs.<sup>20</sup> In the course of our audit, we found that another area where the Agency lacks risk control is COR oversight of contractors who have a history of labor mischarging.

At the time of our audit, 27 percent of the interviewed Primary CORs were appointed to contracts in which the contractor company had a history of OIG-substantiated labor mischarging, and an additional contractor company was being investigated by the OIG for such misconduct. However, the OIG found that only some of the Primary CORs on the current contracts were aware of the prior misconduct and none were taking additional steps to review the invoices related to these contractors, such as exercising their right to examine sufficient evidence that properly reflects the costs claimed to have been incurred. Performing floor checks or requesting timesheets on at least a periodic basis, both of which are discretionary under BM&A procedures, would be additional methods of checking the validity of labor costs claimed.

One of the substantiated labor mischarging cases, which was investigated by the OIG, noted above, resulted in the individual pleading guilty to criminal charges for submitting false claims to the Government. This individual admitted to fraudulently inflating the number of hours worked by at least 40 percent (1,700 hours) over a period of two years. The court sentenced this individual to eight months of home detention as a special condition of three years’ probation and ordered the individual to pay restitution of \$252,527.

The Agency has made some progress in this area. Starting in July 2019, BM&A sends a quarterly email to the CO and COR distribution lists to request that they identify areas of concerns for the contracts that they administer. The OIG confirmed that a number of these concerns were passed by the DCAA Financial Liaison Advisor in BM&A to DCAA for tailoring the latter’s risk-based statistical audit program for high-risk contractors.

However, contractor companies with a history of labor mischarging were not subject to more scrutiny by the CORs or further audit review procedures by the Agency. The Agency should put in place procedures to assess such risks and take action as appropriate to proactively mitigate against further labor mischarging.

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<sup>20</sup> FAR 16.102, “Negotiating contract type.”

**RECOMMENDATION AU-19-0010-18**

Develop and implement procedures to ensure that CORs are aware of prior substantiated mischarging by their contractor companies.

LEAD ACTION: Director, BM&A

**RECOMMENDATION AU-19-0010-19**

For contractor companies with prior substantiated mischarges, develop and implement procedures to require additional monitoring (e.g., periodic surveillance of work at the contractor's place of performance, a periodic check of the contractor's timesheets, official record of hours worked, etc.).

LEAD ACTION: Director, BM&A



## FINDING 3: Agency received limited external oversight of actual costs.

The level of external oversight was limited due to inadequate and unmanaged communication with DCAA and a lack of understanding regarding contract auditors' coverage of NSA contracts. As a result, the Agency has increased risk of further labor mischarging and of making improper payments for unallowable costs.

### Lack of External Oversight

DCAA serves as the cognizant contract auditor for the DoD and is responsible for conducting yearly incurred cost audits of direct and indirect costs for the purpose of establishing final rates and final direct costs for all auditable cost-reimbursement contracts. Therefore, NSA cost-reimbursable type contracts are subject to audit by DCAA; however, due to security concerns between the Agency and DCAA, limited COR awareness of DCAA services, an overreliance by Agency management on DCAA audit coverage, and a lack of formal process for access issues, some contracts have not been subject to external oversight, and the OIG was unable to ascertain whether other contracts are truly subject to audit. When DCAA auditors have limited or denied access, audit opinions may be disclaimed, and therefore questioned costs may be missed. This increases the risk that the Agency will lose the ability to identify and recoup disallowed costs from the contractor company. Due diligence is then further placed on the Agency for sufficient review of actual costs.

### No Formal Process for DCAA Access Issues

Historically, according to DCAA's Strategic Plan, DCAA's incurred cost audits had been significantly delayed; however, in the past few years, DCAA caught up on its backlog, and audits are now to be performed within a year of receiving an annual incurred cost submission from the contractor. In the past few years, DCAA also has increasingly requested access to contractor facilities and contract documents to perform labor floor checks and real-time testing of materials and costs, procedures that would help mitigate the lack of COR review we discussed in Findings 1 and 2. However, although DCAA's workforce includes a subsection of auditors with top secret clearances, based on information provided by DCAA personnel and the Agency's Contracting office, we determined that their auditors are sometimes not allowed access to NSA contracts, impacting their ability to perform audit procedures that the auditors deemed necessary based on an independent risk assessment.

Per the Agency's Senior Contract Advisor in the Contracting office, the Agency has concerns over providing DCAA with top secret special intelligence (TS//SI) contract documents, such as Statements of Work; however, the Agency does not refuse the external auditors access. The Senior Contract Advisor stated that the Agency does not release exceptionally controlled information (ECI) outside of the Agency. The Senior Contract Advisor further explained that DCAA auditors may be able to read the data, but it is preferred that it not be provided to DCAA outside of Agency spaces. The Agency has concerns over DCAA storing the documents, as they operate on a different secure system. Further, the Senior Contract Advisor stated that the external auditors are allowed access in NSA's and

contractor's Sensitive Compartmented Information Facilities (SCIFs) for procedures, such as real-time floor checks; they cannot arrive unannounced, but arrangements can be made in advance.

Further, the problems we found with the Agency's TTO construct, as discussed in Finding 1, also impacted the DCAA auditor's ability to perform invoice reviews and incurred cost audits because certain TTOs had terms rendering the TTO unauditible or had sensitive classified information. Overall, there seems to be a disconnect between what DCAA-cleared auditors can gain access to and what the Agency is willing to support so that invoice reviews and incurred cost audit procedures can be accomplished.

At the time of our audit, a CO for two contracts within our sample told the OIG that they were performing "DCAA-like functions" in place of DCAA. However, the CO confirmed their procedures only included procedures similar to a DCAA interim voucher review but did not include audit-type procedures, including reconciliation of costs with supporting documents, such as labor costs to certified timesheets and purchased materials to bills and receiving reports. Therefore, the CO is not performing procedures consistent with a DCAA-incurred cost audit. If there are Agency security concerns with providing information to DCAA, and if the Agency is not performing sufficient procedures in lieu of a DCAA audit or interim voucher review, then this brings into question whether all cost-reimbursement contracts at the Agency are subject to examination and final audit upon completion of the contract as required by FAR 52-216-7.

The MPOAS clause 352.232-9016, "Invoicing and Payment – Alternate I," states that all electronic invoices shall be subject to review and approval by the cognizant DCAA Field Detachment Branch Office prior to payment by the Agency's Accounts Payable organization. Invoices not properly routed through and approved by the cognizant DCAA Field Detachment Branch Office shall be considered an improper invoice under the Prompt Payment Act. At the time of our audit, based on Agency security concerns, DCAA had determined that invoices for 11 contracts would not be routed through DCAA, of which 8 were cost-reimbursement type, and 2 of those 8 were contracts within our sample. The denial of access to DCAA limited the external auditor's ability to plan and perform audit procedures deemed necessary for the contracts and, as such, would make it inappropriate for the Agency to serve as an approving official for interim invoices. Therefore, the costs included on the invoices for these two contracts had not been subject to external oversight before payment as required.

The Agency has recognized this problem and developed a DCAA Process Working Group to start a discussion about DCAA relations. The Working Group has been in place since April 2019; however, we found there were still no formal procedures or finalized policies in place.<sup>21</sup> One member of the DCAA Working Group stated that he was unsure what the security concerns even were for the Agency. This individual was also uncertain why top-secret-cleared DCAA auditors were not allowed access to certain facilities or documents, especially since not all access concerns were related to cover contracts,

<sup>21</sup> The Contracting office provided documentation to the OIG reflecting that its leadership met with DCAA in April 2019 to stress that DCAA is allowed in NSA facilities as long as the CO is notified in advance in order to enter the visitor request. Further, DCAA provided a briefing at a CO Quarterly Meeting in June 2019 to highlight the services that they provide the Agency. The Contracting office stated that pandemic-related issues have had a significant impact on this working group. A recent Agency hire from the Defense Contract Management Agency (DCMA) in September 2020 has taken the lead for this group.

which are often the source of such concerns. Another member of the Working Group stated that the issue was that the contractors had security concerns and were denying access to DCAA. Our interviews evidence a disconnect between the various parties pertaining to the role of DCAA, what access is allowed, and what procedures are being performed in lieu of DCAA reviews and audits.

## Limited COR Awareness of DCAA Audit Findings

The OIG believes that it is important that CORs be aware of prior sustained DCAA incurred cost audit findings, either from COs or other Agency contracting officials in order to, at a minimum, enable them to do more cost oversight for contractors with a history of questioned DCAA costs. NSA/CSS Policy 1-48, *Follow-Up Contract Audit Reports*, issued 31 October 2018, designates the Head of the Contracting Activity (HCA) as the Agency management official to oversee contract audit follow-up. COs bear the responsibility to directly address the disposition of audit findings. CORs should be aware of prior sustained audit findings for their appointed contracts. The OIG found that CORs have limited awareness of DCAA incurred cost audit findings related to questioned costs and sustained amounts. A majority of the CORs that we interviewed indicated that they knew of DCAA and understood that invoices associated with the contracts for which the CORs are appointed go through DCAA; however, they were not sure what services DCAA provided or if their contract had ever been audited by DCAA. Two of the 18 interviewed Primary CORs knew that their respective contract had been audited, but neither had received or seen the audit report. Another Primary COR knew that the contract he oversaw was subject to an audit, but the contract had not received an audit while this individual was the appointed Primary COR. The remaining 15 Primary CORs were unsure if their contract had been audited or was subject to an audit by DCAA.

## Overreliance on DCAA

Conversely, when asked who reviewed actual costs, the Contracting office management indicated that DCAA reviewed actual costs. However, the Agency does not allow the DCAA auditors full access to facilities and necessary elements of a contract subject to audit. For example, without access to a contractor's facilities to perform floor checks, DCAA may remove the contract from its future audit scope and stop processing vouchers since DCAA would not have the ability to perform audit procedures needed to validate labor costs. Sensitive or classified material pertaining to a contract may not be included in a company's incurred cost submission to DCAA. Therefore, we believe that BM&A management's level of reliance on DCAA's audit services is unwarranted, particularly given that the Agency is not certain to what degree Agency contracts are actually tested. In that regard, BM&A management did not know which contracts or TTOs were included in DCAA's scope of contracts for incurred cost audits because the Agency did not coordinate with the auditors to ensure testing was performed.

Additionally, BM&A did not have standard operating procedures for making access determinations; therefore, it was not readily determinable to what degree DCAA audited Agency contracts that were otherwise included in the scope of its audits. There continues to be a need to re-evaluate the Agency's approach to oversight of costs on cost-reimbursement contracts, with due consideration of the way in which the Agency manages costs incurred given its processes and desire to restrict access requested by its external auditors for certain sensitive classified data.

## Contract Audit Oversight Failed to Mitigate Cost Risk

Given the significant issues with external contract auditor oversight, the fact that these types of contracts are subject to annual incurred cost audits fails to mitigate the lack of interim cost oversight employed by Agency contracting officials. It is not clear to what degree any of the cost-reimbursable contracts is subject to audit because every TTO is subject to having terms that make it unauditible and because TTOs are not standardized. The Agency could not readily identify for the OIG the cost-reimbursement contracts that were not subject to audit, nor could it identify the interim invoices rejected by auditors as being unauditible.

As mentioned previously, the backlog of incurred cost audits cleared by DCAA in recent years resulted in an influx of approximately 150 incurred cost audit reports to the Agency within a two-year period. All of these reports required Agency attention. Based on information from DCAA and the Agency, as of December 2020 there were still 59 incurred cost audit reports with unsettled questioned costs related to the Agency.<sup>22</sup> Regardless of the exact number, the volume of DCAA reports with unsettled questioned costs further highlights the importance of DCAA audits in identifying such issues.

We obtained copies of two incurred cost audit reports related to the Agency from DCAA to gain an understanding of the types of questioned costs and other matters that demonstrate increased risk of cost. In one report, two NSA contracts from the same contractor had a total of \$3.3 million in questioned costs for the 2015 and 2016 fiscal years, all based on unsupported labor qualifications.<sup>23</sup> In the second report, \$7.2 million was questioned; \$6.8 million was based on duplicate payments voluntarily disclosed by the contractor, and \$516,000 was the excess subcontract labor costs resulting from billing at the prime contract rates, a rate that was higher than the subcontractor rates.<sup>24</sup> In addition, DCAA reported seven NSA contracts that presented increased risk of excessive pass-through costs, which could not be resolved by the auditors because the contract did not provide necessary pertinent financial data to analyze the ratio of subcontract costs to prime contract costs.<sup>25</sup> CORs responsible for one of the contractors that was the subject of these audit findings did not have any knowledge about the audit, and thus did nothing additional to review costs submitted by this contractor on current invoices. Based on comments from a draft version of this report, the Agency indicated that due to the lag between costs submitted in current invoices and the audit of final incurred costs in an incurred cost submission, the COR reviewing current vouchers may not be the same COR in place during the fiscal year upon which the audit of final incurred costs is based.

The current state of contract oversight at the Agency has a high degree of uncertainty as it relates to the examination of costs. CORs do not do enough to examine actual costs—as detailed in Finding 2—and the level of external oversight is limited. If CORs are not reviewing actual costs and DCAA

<sup>22</sup> According to the Agency, actions to address six incurred cost audit reports had been completed and reported back to DCAA in December 2020 but were still on the listing, and an additional four have been completed as of March 2021.

<sup>23</sup> Per BM&A and the OIG's review of the Negotiation Memorandum, this DCAA incurred cost audit report has since been closed, including a recoupment of \$147,667.

<sup>24</sup> Per BM&A, this DCAA incurred cost audit report is still open; however, the Agency has issued a Draft Negotiation Memorandum that was under review as of the time of this audit.

<sup>25</sup> Per FAR 52.215-23, an excessive pass-through cost with respect to a contractor or subcontractor is a charge that adds no or negligible value to a contract or subcontract, meaning a charge to the Government by the contractor or subcontractor that is for indirect costs or profit/fee on work performed by a subcontractor.

external oversight is limited, sufficient due diligence is not being performed to detect and deter improper billings and payments on cost-reimbursement type contracts.

### **RECOMMENDATION AU-19-0010-20**

Develop and implement Standard Operating Procedures for addressing DCAA security and access issues.

LEAD ACTION: Director, BM&A

### **RECOMMENDATION AU-19-0010-21**

Provide additional training to CORs about DCAA incurred cost audits and develop procedures for making CORs aware of DCAA incurred cost audits related to their contractor companies.

LEAD ACTION: Director, BM&A

### **RECOMMENDATION AU-19-0010-22**

For contractor companies with prior sustained DCAA incurred cost audit findings, require additional COR monitoring (e.g., periodic review of subcontractor's invoices to the prime contractor, etc.) for those CORs appointed to contracts with those contractor companies.

LEAD ACTION: Director, BM&A



## III. RECOMMENDATIONS

### To WSA

#### RECOMMENDATION AU-19-0010-2

Update the required COR training to include procedures developed in response to Recommendation 1.

Secondary: Director, BM&A

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#### Management Response:

Agree. The National Cryptologic School is working in partnership with BM&A, including Contracting and Finance. It recently developed a VUport course called CONT2488 Supervising CORs. This course is designed to give supervisors a better understanding of the COR role and to ensure workers are not overextended when providing COR services. In addition, the National Cryptologic School in coordination with BM&A, is developing a new COR invoice training VUport course to ensure effective contract administration and proper accounting for goods and services received. This training will touch many areas within financial accounting playing a role in Agency auditability. There is a CONT3486 COR Refresher course offered via VUport.

Implementing Organization: National Cryptologic School

OIG Analysis: The action planned meets the intent of the recommendation.

### To BM&A

#### RECOMMENDATION AU-19-0010-1

Develop written procedures documenting the COR process, including a standard governance structure and standard communication processes among CORs to support the Primary COR function. Include invoice review responsibilities among the roles of all four types of COR and expressly address how invoices are reviewed for accuracy and completeness (including rates and factors that comprise costs).

Page: 9

#### Management Response:

Agree. The Contract Management Working Group (CMWG) is actively working to develop the recommended documentation.

Implementing Organization: Business Contract & Management Groups (BCMGs)

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-3**

Revise the COR Appointment Letter to require compliance with the detailed written procedures developed in response to Recommendation 1.

Page: 9

**Management Response:**

Agree. The CMWG will revise the COR Appointment Letter to require compliance with updated standard operating procedures (SOP) developed for Recommendation 1.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-4**

Develop a system to track and store TTOs in a centrally managed location or repository system.

Page: 12

**Management Response:**

Agree. The BM&A Technical Director will work with Corporate Management Services (CMS) in Capabilities to identify a solution to satisfy this TTO repository requirement.

Implementing Organization: BM&A Technical Director

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-5**

Evaluate whether utilizing the existing TTO fields in FACTS to keep track of TTO terms and conditions could improve the efficiency and effectiveness of reviewing the expenses charged against TTO funding. If so, develop and implement procedures as appropriate relevant to the use of the TTO fields in FACTS.

Page: 12

**Management Response:**

Agree. There are no existing TTO fields in FACTS. The BM&A Technical Director will explore options to improve efficiency and effectiveness of reviewing the expenses charged against TTO funding.

Implementing Organization: BM&A Technical Director

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-6**

Evaluate the possibility of executing TTOs in a similar manner as DOs, or similar steps to improve the efficiency and effectiveness of managing contracts with numerous TTOs. If so, develop and implement procedures for executing TTOs in this manner.

Page: 13

**Management Response:**

Agree. The Contracting office will conduct an evaluation based on the recommendation.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-7**

Perform a review of the CORTOOL to determine if the content is accurate and up to date for current appointed CORs, and update it as needed.

Page: 14

**Management Response:**

Agree. The Contracting office will perform a review of the accuracy of the information in the CORTOOL, and update as appropriate.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-8**

Develop and implement a process to periodically ensure that the CORTOOL is accurate and up to date.

Page: 14

**Management Response:**

Agree. The Contracting office will implement a process to periodically ensure the information in the CORTOOL is accurate and up to date.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-9**

Assess the user-friendliness and functionality of the CORTOOL and determine if any enhancements should be made. Implement any enhancements deemed warranted.

Page: 14

**Management Response:**

Agree. The BM&A Technical Director will work with BM&A organizations to assess the CORTOOL to identify any enhancements that are warranted. Funding will be requested for system enhancement which will be subject to the availability of funding.

Implementing Organization: BM&A Technical Director

OIG Analysis: The action planned meets the intent of the recommendation.

### RECOMMENDATION AU-19-0010-10

Perform an evaluation of the workload for Primary and Technical CORs and determine if sufficient resources are provided for cost-reimbursement contract administration given the increased risk, the complex TTO construct, and the tight time constraints. As appropriate based on the evaluation, develop a plan to implement and obtain additional personnel resources, as determined necessary.

Page: 16

#### Management Response:

Agree. BM&A will conduct a workload assessment for Primary and Technical CORs and if appropriate, develop plan to request additional resources from corporation.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

### RECOMMENDATION AU-19-0010-11

Develop and implement a comprehensive process for updating MPOAS clauses for all cost-reimbursement contracts to ensure awareness by all CORs, including a centralized, accessible location to store block modifications. Incorporate the process and reference to the centralized location in the written procedures developed in accordance with Recommendation 1.

Page: 19

#### Management Response:

Agree. Contracting will store the block modifications on either BWeb or the external facing webpage.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

### RECOMMENDATION AU-19-0010-12

Develop and implement a comprehensive process that ensures accountability and oversight enforcement on all cost-reimbursement contracts required by the MPOAS “Invoicing and Payment” clause.

Page: 20

#### Management Response:

Agree. The CMWG is actively working on the invoice review SOP. Steps to ensure adequate invoice details exist in compliance with the *MPOAS* “Invoicing and Payment” clause will be addressed.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-13**

Develop and implement a standardized process for review of actual labor rates to enforce the “Approval of Staffing” clause.

Page: 23

**Management Response:**

Agree. The CMWG will address review of actual labor rates in its SOP update.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-14**

Consider making the staffing approval rates, along with the actual labor rates, a required component of the standard invoice and invoice attachments. Implement that requirement as determined appropriate.

Page: 23

**Management Response:**

Agree. The CMWG will review the required components of the standard invoice and invoice attachments and make adjustments as appropriate.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-15**

Develop a basic standard documentation requirement that requires contractor companies to submit level of detail (e.g., task, individual, labor categories, labor rates, hours, and total billed) within the standard invoice and invoice attachments. Implement a process to ensure that contractor companies submit the level of detail within the invoice and invoice attachments necessary for CORs to complete a sufficient invoice review.

Page: 24

**Management Response:**

Agree. The invoicing clause already requires the detailed information noted in the recommendation depending on the contract type. The CMWG will address enforcement in its SOP creation, as well as Data Item Deliverable (DID). Training of Contract Managers (CMs) will be part of the plan.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-16**

Develop and implement a process for ensuring that CORs validate actual costs for the contractors and sub-contractors on cost-reimbursement contracts.

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**Management Response:**

Agree. The CM SOP will address a standardized process to implement some formal verification of costs, to a reasonable level.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-17**

Research the questioned labor and travel charges and request additional documentation from the contractors as necessary to determine allowability. If any charges are unallowable, recover, as necessary.

Page: 26

**Management Response:**

Agree. The BCMGs will review the questioned labor and travel charges to determine allowability and take appropriate action.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-18**

Develop and implement procedures to ensure that CORs are aware of prior substantiated mischarging by their contractor companies.

Page: 28

**Management Response:**

Agree. Contracting will implement a process to ensure the COR is aware of any substantiated mischarging on the contract to which they are assigned.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-19**

For contractor companies with prior substantiated mischarges, develop and implement procedures to require additional monitoring (e.g., periodic surveillance of work at the contractor's place of performance, a periodic check of the contractor's timesheets, official record of hours worked, etc.).

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**Management Response:**

Agree. The CMWG will address the COR notification process and provide guidance for monitoring identified contractors.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-20**

Develop and implement Standard Operating Procedures for addressing DCAA security and access issues.

Page: 33

**Management Response:**

Agree. BM&A will document agreement with DCAA to address security and access procedures for their TS//SI/TALENTKEYHOLE cleared employees.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-21**

Provide additional training to CORs about DCAA incurred cost audits and develop procedures for making CORs aware of DCAA-incurred cost audits related to their contractor companies.

Page: 33

**Management Response:**

Agree. Contracting will coordinate with DCAA to implement additional training for CORs.

Implementing Organization: Contracting

OIG Analysis: The action planned meets the intent of the recommendation.

**RECOMMENDATION AU-19-0010-22**

For contractor companies with prior sustained DCAA incurred cost audit findings, require additional COR monitoring (e.g., periodic review of subcontractor's invoices to the prime contractor, etc.) for those CORs appointed to contracts with those contractor companies.

Page: 33

**Management Response:**

Agree. Similar to increased monitoring contractors in Recommendations 16, 18 and 19, the CMWG will address and provide guidance on COR visits to contractor locations and types of records requested.

Implementing Organization: BCMGs

OIG Analysis: The action planned meets the intent of the recommendation.

# APPENDICES

## APPENDIX A: About the Audit

### Objective

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The overall objective of our audit was to determine whether the Agency has effective and efficient internal controls over cost-reimbursement contract expenses. We focused our audit effort on interim voucher payments (invoices) for cost-reimbursement contracts because this is the point that the Agency actually incurs expense under cost-reimbursement contracts.

### Scope and Methodology

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Fieldwork for this audit was conducted from July through December 2019. The audit focused on cost-reimbursement type contracts, made up of cost, cost plus award fee, cost plus incentive fee, and cost plus fixed fee contracts.

To accomplish our audit objective, we examined the process employed by the Agency to review invoices. We evaluated the type of documentation obtained from contractors to support invoiced costs, examined roles and responsibilities for cost oversight, and re-performed invoice review steps using the invoice documentation obtained by the Agency.

We used these procedures to assess whether or not the Agency's processes for managing costs are sufficient to actually perform the review steps necessary to conduct, manage, and control costs in accordance with contract terms and conditions.

The combined invoice review efforts of AP, the Primary COR, Technical CORs, and DCAA's role as the cognizant auditor should result in due diligence that provides effective and efficient oversight of cost-reimbursement contract expenses. This due diligence is what we examined during the audit.

In conducting this audit, we reviewed written processes, procedures, and other supporting documentation for adequate controls. We supplemented our documentation review by interviewing personnel in 13 offices within the Business Management & Acquisitions (BM&A) Directorate who are responsible for or have specified roles in the contract process. We also conducted interviews specific to the cognizant CORs responsible for the approved invoices in our sample. In some cases, we also interviewed the cognizant COs, Division Chiefs, and Technical CORs. Appointed Technical CORs were located within other NSA Directorates, including Operations, Capabilities, and Research. In addition, we conducted interviews outside of NSA with the Defense Contract Audit Agency (DCAA).

This audit was conducted by the Office of the Inspector General (OIG) using 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 according to our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions according to our audit objectives. We reviewed policies, procedures, and internal controls to determine whether cost-reimbursement contracts are being executed compliantly.

## Sampling Methodology

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To determine the universe of cost-reimbursement contracts (including cost, cost plus fixed fee, cost plus award fee, and cost plus incentive fee), we compiled a listing of all FY 2018 awarded cost-reimbursement contracts from the Financial Accounting and Corporate Tracking System (FACTS). Then, we extracted all purchase orders associated with the contracts and obtained all related invoices for the time period 1 June 2018 through 31 May 2019.

A Department of Defense (DoD) OIG statistician assisted with the sampling approach for the audit. Based on consultation with the statistician and using analysis of the population, assessment of the audit objective, and consideration of effective and efficient sampling and testing, we excluded invoices below \$375,000 from our population. We determined that invoices less than \$375,000 were less likely to include major cost elements that would warrant detailed reviews.

With the aid of the DoD OIG statistician, we prepared a classic variable stratified sampling plan, which resulted in a sample of 150 invoices—covering 53 contracts—categorized into three strata: low-, mid-, and high-cost. After interviews with 16 Primary CORs about invoices mainly in the high and middle strata, we determined that the COR process for reviewing cost-reimbursement contract expenses was substantially the same among all 16 interviewees, and that all 16 demonstrated similar systemic process issues. An interview with an additional two Primary CORs—identified by judgmentally selecting two invoices in the two lowest strata—verified that invoiced costs on lower dollar (and presumably smaller and less complex) contracts were managed the same.

Overall, our interviews with the 18 Primary CORs regarding a total of 58 invoices provided sufficient and appropriate evidence of the activities conducted by the CORs in cost-reimbursement contract management. The 58 invoices were from 18 different cost-reimbursement type contracts, and, therefore, many invoices in our sample were related to the same contracts. Given the consistency of our findings with regard to these 58 invoices (18 contracts), we determined it would be inefficient and unnecessary to continue testing the remaining invoices in our original sample and that it would be sufficient to conduct the remainder of our audit procedures with this smaller sample.

To validate our understanding from the above interviews, we interviewed 11 Technical CORs for their perspective on the process. We judgmentally selected the Technical CORs because all 11 were appointed to the Technical Task Orders (TTOs) charged on one invoice for a contract that was related to 12 invoices in our sample. These interviews validated our findings.

## Use of Computer-Processed Data

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We relied on computer-processed data to conduct this audit. We used computer-processed data received from the Agency's Business Acquisition Management (BAM) System and the Financial Accounting and Corporate Tracking System (FACTS) to identify cost-reimbursement contracts and approved

invoices. We determined that the computer-processed data was reliable by comparing like data from the Contracting office and reconciling the approved invoices with supporting documentation.

## Previous Coverage

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Prior OIG audits on cost-reimbursement contracts revealed the following issues:

### ***Audit Report on the Agency's Utilization of Time and Materials (T&M) Contracts (AU-07-0006)***

National Security Agency/Central Security Service (NSA) OIG *Audit Report on the Agency's Utilization of Time and Materials (T&M) Contracts (AU-07-0006)*, 16 September 2008, found that contracting officers and contracting officer representatives (CORs) were not routinely performing the extensive oversight needed for T&M contracts. The Agency had no assurance that contractor companies were not overbilling the Agency on the basis of work performed, and the Agency might have paid contractor personnel higher rates than their credentials supported. The report contained a recommendation relating to COR oversight on T&M type contracts.

### ***Audit of the Institute for Defense Analysis (AU-13-0017)***

NSA OIG report *Audit of the Institute for Defense Analysis (AU-13-0017)*, 25 June 2014, found that contract oversight with regard to the Institute for Defense Analysis (IDA) needed to be more vigorous. This audit called to enhance the external oversight DCAA provides on the contract with IDA. This audit questioned costs of \$52,000.

### ***Audit of Contractor Qualifications (AU-13-0019)***

NSA OIG report *Audit of Contractor Qualifications (AU-13-0019)*, 3 September 2014, revealed that some CORs do not perform detailed reviews of monthly invoices. The audit found examples of contractor companies not providing invoice details at a contractor personnel level and recommended that the Agency implement an automated process requiring that contractor companies submit standard invoices containing the level of detail necessary for CORs to complete their required invoice review within established time constraints. The Agency contended that no revisions were necessary to its existing invoicing system because invoice clauses require the contractor to submit detailed invoice information as attachments to the electronic invoice. The OIG nevertheless recommended that as business systems are modernized, BM&A should consider methods for automating support to electronic invoices. The OIG also recommended that, until an automated process exists, invoice standards and standard contract requirements be updated to specify the level of detail that enables CORs to fulfill their invoice review responsibilities. In response to this recommendation, the Agency revised the "Invoicing and Payment" clause to help ensure that CORs receive the appropriate level of detail necessary for their invoice review. However as discussed in Finding 2, the OIG found that this clause is not being enforced. This audit questioned labor charges of more than \$4.9 million.

### ***Audit of the SERENITYNOW Contract (AU-15-0009)***

NSA OIG report *Audit of the SERENITYNOW Contract (AU-15-0009)*, 20 April 2016, concluded that the invoices that the contractor provided to support the work were not transparent. The information available to the CORs was not sufficient to certify invoices for payment. Further, CORs lacked focus on actual costs. This audit contained questioned costs of \$12.8 million.



## ***Audit of Award Fee Contracts (AU-17-0008)***

NSA OIG report *Audit of Award Fee Contracts (AU-17-0008)*, 7 March 2019, found that there was insufficient evidence to support the determination that the use of award fee contracts and the award fee percentages established under the contracts were appropriate as properly justified and documented and in the best interests of the Government. Therefore, this audit questioned \$636 million in award fees associated with 54 cost-reimbursement contracts.

The majority of these reports focused on a few specific cost-reimbursement contracts or a certain cost-reimbursement contract type. All recommendations for these reports have since been closed. The current audit comprehensively reviewed the Agency's oversight of cost-reimbursement contract expenses and the due diligence performed to review those expenses.

## Criteria

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### Federal Policy

**Federal Acquisition Regulation (FAR)** establishes the codification and publication of uniform policies and procedures for acquisition by all executive agencies. The Federal Acquisition Regulations System consists of the FAR, which is the primary document, and agency acquisition regulations that implement or supplement the FAR.

### Agency Policy

**NSA/CSS Policy 7-3, *Managers' Internal Control Program***, 17 October 2016, establishes policy and prescribes procedures and responsibilities for the NSA/CSS Internal Control Program.

### Business Management & Acquisitions (BM&A) Policy

**Maryland Procurement Office (MPO) COR Appointment Letter** outlines the roles and responsibilities for each type of COR.

***NSA/CSS Contracting Officer's Representative (COR) Handbook***, Version 2.0, 12 October 2016, provides basic knowledge and tools for NSA CORs to perform effective contract surveillance. The information in the handbook was extracted from numerous sources including the FAR; the Defense Federal Acquisition Regulation Supplement (DFARS); the Joint Ethics Regulation; and various other DoD directives, instructions, publications, and policies.

***Maryland Procurement Office Acquisition Supplement (MPOAS)*** was issued pursuant to FAR Subpart 1.3. It implements and supplements the FAR and DFARS, while establishing policies and procedures for the acquisition of supplies and services under the authority cited in FAR 1.103.

***BM&A Technical Task Order (TTO) Guidebook***, Version 19, June 2019, institutes a standard set of procedures for managing TTOs that provides consistency and efficiency throughout the entire process. This guidebook is intended to provide a streamlined approach for managing TTOs through use of standardized procedures for issuing and monitoring TTOs.

## Standards for Internal Control

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As part of the audit, we assessed the organization's control environment pertaining to the audit objectives, as set forth in NSA/CSS Policy 7-3, *Managers' Internal Control Program*, 13 September 2019. We reviewed the Business Management and Acquisition Statement of Assurance, and the Vulnerability and Process Assessment.

We reviewed internal controls that related to the Agency's cost-reimbursement contracts. Our review was limited to controls applicable to our audit objective as it relates to:

1. Control environment,
2. Risk assessment,
3. Control activities,
4. Information and communication, and
5. Monitoring.

We found some areas in which controls were not designed or implemented to effectively manage risk. As discussed in Finding 1, we found that contract administrative oversight controls need to be strengthened. Finding 2 states that Agency review of actual costs is insufficient. Finding 3 states that the Agency needs to develop policies and procedures relating to DCAA's role in the review and audit of cost-reimbursement contract expenses.

## APPENDIX B: Abbreviations and Organizations

ACRN	Accounting classification record number
AoS	Approval of Staffing
AP	Accounts Payable
BAM	Business Acquisition Management
BCMG	Business Contract and Management Group
BM&A	Business Management and Acquisition
CDRL	Contract Data Requirements List
CLIN	Contract line item number
CM	Contract Manager
CMIS	Corporate Management Information System
CMWG	Contract Management Working Group
CO	Contracting Officer
COR	Contracting Officer Representative
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DID	Data Item Deliverable
DoD	Department of Defense
DO	Delivery order
ECI	Exceptionally controlled information
FACTS	Financial Accounting and Corporate Tracking System
FAR	Federal Acquisition Regulation
FLHER	Funds and Labor Hour Expenditure Report
FMHR	Funds and Man-Hour Expenditure Report
FMR	Financial Management Regulation
GAO	Government Accountability Office
HCA	Head of the Contracting Activity
IT	Information technology
JTR	Joint Travel Regulations
LOE	Level of Effort
MPO	Maryland Procurement Office
MPOAS	Maryland Procurement Office Acquisition Supplement
NSA	National Security Agency/Central Security Service
NSAW	National Security Agency, Washington
OIG	Office of the Inspector General

PoP	Period of performance
SCIF	Sensitive compartmented information facility
SETA	Systems Engineering and Technical Assistance
SOP	Standard operating procedure
TTO	Technical task order
TS//SI	Top secret special intelligence
WSA	Workforce Support Activities

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# OFFICE OF THE INSPECTOR GENERAL

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Pursuant to the Inspector General Act of 1978, as amended, and in accordance with NSA/CSS Policy 1-60, the NSA/CSS Office of the Inspector General (OIG) conducts independent oversight that promotes Agency respect for Constitutional rights, adherence to laws, rules, and regulations, and the wise use of public resources. Through investigations and reviews, we detect and deter waste, fraud, abuse, and misconduct and promote the economy, the efficiency, and the effectiveness of Agency operations.

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