



UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

Office of the  
Inspector General

December 12, 2012

MEMORANDUM FOR JOHN BERRY

Director

FROM:

PATRICK E. McFARLAND  
Inspector General

A handwritten signature in black ink that reads "Patrick E. McFarland".

SUBJECT:

Final Report for the Review of the U.S. Office of Personnel Management's Voice over Internet Protocol Phone System Interagency Agreement with the District of Columbia (Report Number 1K-RS-00-12-031)

Attached is our final memorandum report on the review of the U.S. Office of Personnel Management's (OPM) Voice over Internet Protocol (VoIP) phone system interagency agreement with the District of Columbia, Office of the Chief Technology Officer (D.C. Government). Our review was performed from August 2011 through January 2012 at OPM headquarters, located in Washington, D.C. The review identified two areas requiring improvement.

We issued our draft memorandum report to Matthew Perry, Chief Information Officer, on August 14, 2012. OPM's comments on the draft memorandum report were considered in preparing this final memorandum report and are included as an Appendix. For specific details of the review findings, please refer to the "Results" section of this memorandum.

This final memorandum report has been issued by the Office of the Inspector General (OIG) to OPM officials for resolution of the findings and recommendations contained herein. As part of this process, OPM may release the report to authorized representatives of the reviewed party. Also, we are required by the Inspector General Reform Act of 2008 to make all final reports available to the public on the OIG webpage. Under section 8L of the Inspector General Act, the OIG makes a redacted version of its final report available to the public on its webpage.

While posting the final report is not considered a release under the Freedom of Information Act (FOIA), the OIG will use the general standards of FOIA to determine if any portion of the report should be redacted. If you believe that anything in the report should not be posted, the OIG must receive notice of your objections in writing within 21 days of the date of receiving the final report. If you have any questions related to this process, please contact Timothy C. Watkins, Counsel to the Inspector General, on (202) 606-0230.

In accordance with the Office of Management and Budget (OMB) Circular A-50 and/or Public Law 103-355, all findings must be resolved (agreement reached on actions to be taken on reported findings and recommendations; or, in the event of disagreement, determination by the agency follow-up official that the matter is resolved) within six months of the date of this report.

The OMB circular also requires that agency management officials provide a timely response to recommendations. Where management is in agreement, the response should include planned corrective actions and target dates for achieving them. If management disagrees, the response must include the basis in fact, law, or regulation for the disagreement.

To help ensure that the timeliness requirement for resolution is achieved, we ask that all program offices coordinate with the OPM audit follow-up office, Internal Oversight and Compliance (IOC), to provide their initial response to us within 60 days, as outlined in OMB Circular A-50. IOC should be copied on all final report responses. Subsequent resolution activity for all audit findings should also be coordinated with IOC. The program offices should provide periodic reports through IOC to us, no less frequently than each March and September, detailing the status of corrective actions, including documentation to support this activity, until all findings have been resolved.

### **Executive Summary**

The OPM Office of the Inspector General (OIG) has completed a review of OPM's VoIP phone system interagency agreement with the D.C. Government. The review was performed under the authority of the Inspector General Act of 1978, as amended.

Our analysis determined that OPM's VoIP interagency agreement with the D.C. Government complies with applicable laws, regulations and internal policies. However, we did note two areas of concern. First, documentation supporting the \$4,257,277 already paid by OPM to the D.C. Government was incomplete. We spent a considerable amount of time collecting cost information from multiple sources. In addition, OPM is near the end of the second year of its interagency agreement with the D.C. Government and has not developed an installation schedule to implement the VoIP solution at the field locations. However, the telephones and licenses for the field offices were procured in 2010, with the equipment currently being stored by OPM.

### **Background**

OPM's Office of the Chief Information Officer (OCIO) is responsible for the information technology (IT) management of the Agency, including the design, development, and implementation of information technology investments. The OCIO also provides oversight of major IT acquisitions to ensure they are consistent with OPM's business needs, and monitors investments for compliance with federal standards.

When a requesting agency needs supplies or services and obtains them from a servicing agency, by an assisted or a direct acquisition, including acquisitions under the Economy Act (31 United States Code (U.S.C.) Section 1535), it is referred to as an interagency acquisition.

31 U.S.C. Section 1537, of the Economy Act of 1932, established specific procedures for services between the United States and the D.C. Government:

- Section (b)(1) states that services under this section shall be provided under an agreement (A) negotiated by officers and employees of the two governments; and (B) approved by

the Director of the Office of Management and Budget and the Mayor of the District of Columbia.

- Section (b)(2) adds that each agreement shall provide that the cost of providing the services shall be borne in the way provided in subsection (c) of this section by the government to which the services are provided at rates or charges based on the actual cost of providing the services.
- Section (b)(3)(A) states that an agreement made under this subsection may provide for the delegation of duties and powers of officers and employees of the D.C. Government to officers and employees of the United States Government.
- Section (c)(2) provides that costs incurred by the D.C. Government may be paid from amounts available to the United States Government officer or employee to whom the services were provided.

48 CFR Part 17, Subpart 17.5, of the Federal Acquisition Regulations (FAR) prescribes the policies and procedures applicable to all interagency acquisitions under any authority over \$500,000:

- Subpart 17.501(b) states that an “agency shall not use an interagency acquisition to circumvent conditions and limitations imposed on the use of funds.”
- Subpart 17.502-2 discusses the Economy Act (31 U.S.C. 1535) and the authorization to agencies to enter into agreements for supplies or services by interagency acquisition. Furthermore, agreements are to be supported by a determination and findings which specify that the “use of an interagency acquisition is in the best interest of the Government” and the “supplies or services cannot be obtained as conveniently or economically by contracting directly with a private source.”

On September 30, 2010, the OPM’s OCIO entered into an agreement with the D.C. Government to design and implement a VoIP solution to replace OPM’s telephone system at its Washington, D.C. headquarters (Theodore Roosevelt Building), as well as field offices in Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia. In addition, OPM agreed to pay for data access to the D.C. Government’s Reston, Virginia, data center. The D.C. Government managed DC-Net<sup>1</sup> program was responsible for satisfying the requirements of the interagency agreement with OPM.

The D.C. Government agreed to provide the planning, design, equipment, implementation and training services to OPM in exchange for capital costs of \$5,558,313<sup>2</sup>. In addition, the agreement included funding for one year of operational services not to exceed \$135,159 per

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1 DC-Net provides managed voice, data, and video wire-based and wireless services to the District of Columbia.

2 Of this amount, \$4,257,277 is for hardware capital expenditures for the Theodore Roosevelt Building (TRB); Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia. The remaining \$1,301,036 is for services (capital expenditures) for the TRB only, including project management, network integration, training, cabling and electrical and contingency planning, and was not analyzed during this review.

month, or \$1,621,908, during the base period<sup>3</sup>, resulting in a total funding amount of \$7,180,221. As a condition of the agreement, advance payments were to be made by OPM, based on estimated costs, for goods and services to be furnished.

The interagency agreement included an installation schedule for the VoIP phones at the TRB. However, OPM did not include an installation schedule in the interagency agreement for OPM's field locations. OPM has the option of extending or amending the VoIP interagency agreement as follows:

- Extending the terms of the agreement up to a maximum of three years after the base period, and
- Amending the interagency agreement to include optional capital expenditure service costs for its field offices in Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia.

Operational costs for years two and three of the base period are to be funded under subsequent interagency agreements.

OPM's interagency agreement with the D.C. Government was approved by OPM, the Director of the Office of Management and Budget, and the Mayor of the D.C. Government.

No prior reviews of OPM's VoIP agreement with the D.C. Government have been performed.

### **Objective, Scope and Methodology**

The objective of our review was to determine whether OPM's interagency agreement with the D.C. Government for VoIP phone products and services complied with the Economy Act (31 USC Section 1537), Federal Acquisition Regulations, and internal procurement policies.

The scope of our review covered OPM's VoIP phone system interagency agreement awarded in FY 2010, totaling \$7,180,221; as well as external laws and regulations, and internal policies and procedures currently used by OPM as guidance for managing its procurement operations.

In planning and conducting our review, we obtained an understanding of OPM's interagency agreement process through reviews of documentation and interviews with representatives from OPM's OCIO, the Office of the Chief Financial Officer (OCFO), and the D.C. Government's DC-Net.

Our review was not conducted in accordance with generally accepted government auditing standards (GAGAS) as established by the Comptroller General of the United States. However, the nature and scope of the work performed was consistent with that expected of a GAGAS audit. Since we consider this a review, the planning, documentation, reporting and quality control standards are not as stringent.

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<sup>3</sup> The base period of OPM's VoIP interagency agreement with the D.C. Government extends through September 30, 2013.

To accomplish the objective noted above, we:

- Verified the approval process for the VoIP interagency agreement;
- Interviewed OPM staff involved in the acquisition of the VoIP system, including representatives from the OCIO;
- Interviewed DC-Net representatives;
- Requested payment information from OPM's OCFO;
- Verified that all of OPM's requirements were met by DC-Net;
- Verified all payments made by OPM under the VoIP interagency agreement; and,
- Verified DC-Net's price advantages.

This review was limited to OPM's VoIP phone system interagency agreement and was not a review of a program. In addition, we did not sample documentation for review and testing, and did not project to the universe.

## **Results**

Our analysis determined that the approval of OPM's VoIP interagency agreement with the D.C. Government complies with applicable laws, regulations and internal policies. However, we identified two areas of concern: (1) the lack of documentation to support the \$4,257,277 already paid by OPM to the D.C. Government, and (2) the lack of a VoIP phone services installation plan for the Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia field offices.

### **Expense Documentation not Maintained**

We contacted several OPM offices, including the OCIO, OCFO, and Contracting Office in order to obtain support for the \$4,257,277 payment made by OPM in November 2010 to the D.C. Government, as well as the actual expenses incurred under the agreement. After several attempts, OPM was unable to provide the information requested, which included (1) a reconciliation of the Memorandum of Understanding Appendix B (cost of goods pricing schedule) to the interagency agreement totals; (2) invoices documenting actual incurred contract expenses; and (3) pre-award communications among the OPM offices and with the D.C. Government.

Ultimately, the D.C. Government provided the documentation, including invoices, billing data, and payment information, which enabled us to complete our review. While the D.C. Government is responsible for documenting all contract related charges, OPM has a responsibility to review and maintain this documentation to ensure that all funds are appropriately accounted for and that only appropriate charges are being invoiced against OPM's contract.

Based on our analysis, the D.C. Government has invoiced \$4,151,835 for telephones and telephone licenses for all OPM buildings, and network equipment for the TRB and Reston locations. In addition, the D.C. Government has invoiced \$32,553 for costs not included in the interagency agreement. Although the invoiced amount (\$4,151,835) is \$105,442 less than the contract amount (\$4,257,277) paid by OPM, the TRB is the only building in which VoIP phone

services have been installed and the D.C. Government still has an estimated \$361,521 in network equipment not yet procured for Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia. (See Appendix A)

OPM's agreement with the D.C. Government does not provide for adjustments due to cost overruns. Since the project is ongoing, it is critical for OPM officials to review and maintain all documentation supporting this agreement to ensure that any cost overruns and inappropriate expenses are not charged to the contract.

### **Recommendation 1**

We recommend that the OCIO implement a process to ensure that all VoIP agreement invoices are fully supported, thereby providing assurance that they are for services consistent with the terms of OPM's agreement with the D.C. Government.

### **OIG Comment:**

OPM's response (see Appendix B) does not address recommendation 1. We were unsuccessful in obtaining clarification from the OCIO, and therefore our recommendation was not revised.

### **VoIP Phone Services not Installed at OPM's Field Offices**

VoIP phone services have not been installed at the Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia field offices. The interagency agreement is effective until September 30, 2013, unless OPM and the D.C. Government agree to an additional option year(s). Therefore, OPM and the D.C. Government have about one year to complete the project.

As stated above, OPM has paid the D.C. Government \$4,257,277 for VoIP phone and network equipment for the TRB, three field offices and Reston location, as well as service installation in the TRB. Due to other OCIO projects taking priority over VoIP phone installations, the TRB is the only building in which VoIP phone services have been installed.

As a result of continued delays, OPM has transferred the storage of the uninstalled VoIP telephones from the D.C. Government to the Agency.

### **Recommendation 2**

We recommend that OPM and the D.C. Government develop and implement a VoIP phone services installation schedule for the Boyers, Pennsylvania; Fort Meade, Maryland; and Macon, Georgia field offices in order to complete the project within a reasonable timeframe.

### **OCIO's Response:**

OPM's response (see Appendix B) states that, "The reason the implementation to the field sites in question (Macon GA, Boyer PA, and Fort Meade MD) has not been completed is a question of funding. The implementation of VoIP at the remote sites requires additional funding that was

not previously provided in the initial agreement and has not yet been identified. For further clarification, please reference page five of the original Memorandum of Understanding (MOU) between U.S. Office of Personnel Management and the D.C. Government; in the section FUNDING PROVISIONS under COST OF SERVICES, paragraph three states, “*Additional optional Capital Expenditures Service costs will apply to Boyers, Pennsylvania, Fort Meade, Maryland, and Macon, Georgia. These costs will not exceed \$1,500,000 in total for all three locations if Buyer requests additional services through amendment to this agreement.*”

“At this time, there has been no amendment to the agreement providing the additional funding required.”

**OIG Comment:**

The OIG understands that funding has not been authorized to amend the VoIP interagency agreement in order to complete installation at OPM’s field offices (Macon, GA; Boyers, PA; and Fort Meade, MD). Since OPM has purchased VoIP equipment for all locations, including the field offices, the Agency should continue to assess the VoIP program and implement an installation plan for the field offices when funding becomes available. Extended delays could render the phone equipment obsolete.

Please contact me if you have any questions regarding this final report, or someone from your staff may wish to contact Michael R. Esser, Assistant Inspector General for Audits, on [REDACTED]

Appendices

cc: Matthew Perry  
Chief Information Officer

Elizabeth A. Montoya  
Chief of Staff

[REDACTED]  
Director, Executive Secretariat and Ombudsman

[REDACTED]  
Director, Internal Oversight & Compliance

**Voice Over Internet Protocol Phone System Interagency Agreement**  
**Audit Report Number: 1K-RS-00-12-031**

**SCHEDULE OF RESULTS**

<i>Item Description</i>	<i>OPM advance payments to the D.C. Government</i>	<i>Costs verified by the OIG</i>	<i>OPM advance payments to the D.C. Government less costs verified by the OIG</i>	<i>Equipment included in the interagency agreement and not yet procured by the D.C. Government (estimated costs)</i>
CUWL Licenses (OPM) - Capital/Intra-District	\$1,164,191	\$1,218,900	(\$54,709)	\$0
Phones (OPM) - Master Lease	\$1,932,580	\$1,932,580	\$0	0
Reston Network Equipment (OPM) - Capital/Intra-District	\$270,331	\$326,428	(\$56,097)	0
TRB Network Equipment (OPM) - Capital/Intra-District	\$358,791	\$437,148	(\$78,357)	0
Wireless (OPM) - Capital/Intra-District	\$169,863	\$236,778	(\$66,915)	0
Ft. Meade Network Equipment (OPM)	\$117,543	\$0	\$117,543	117,543
Macon Network Equipment (OPM)	\$114,995	\$0	\$114,995	114,995
Boyer Network Equipment (OPM)	\$128,983	\$0	\$128,983	128,983
	<u>\$4,257,277</u>	<u>\$4,151,835</u>	<u>\$105,442</u>	<u>\$361,521</u>

[REDACTED]

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**From:** [REDACTED]  
**Sent:** Monday, September 10, 2012 4:21 PM  
**To:** [REDACTED]  
**Cc:** Perry, Matthew E.; [REDACTED]  
**Subject:** VoiP audit response

[REDACTED]

Here are the comments for the VoiP Audit response....sorry for the delay.

[REDACTED]

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OPM would like to provide comments on the OIG memorandum, subject title "Draft Report for Review of the U.S. Office of Personnel Management's Voice over Internet Protocol (VoIP) Phone system Interagency Agreement with the District of Columbia (Report Number 1K-RS-00-12-031", copy attached.

OPM provides clarifications to the statements on page two of the report that read, "*In addition, OPM is near the end of the second year of its interagency agreement with the D.C. Government and has not developed an installation schedule to implement VoIP solutions at the field locations. However the telephones and licenses for the field offices were procured in 2010, with the equipment currently being stored by the D.C. Government.*"

The reason the implementation to the field sites in question (Macon GA, Boyer PA, and Fort Meade MD) has not been completed is a question of funding. The implementation of VoIP at the remote sites requires additional funding that was not previously provided in the initial agreement and has not yet been identified. For further clarification, please reference page five of the original Memorandum of Understanding (MOU) between U.S. Office of Personnel Management and the D.C. Government; in the section FUNDING PROVISIONS under COST OF SERVICES, paragraph three states, "*Additional optional Capital Expenditures Service costs will apply to Boyers, Pennsylvania, Fort Meade, Maryland, and Macon, Georgia. These costs will not exceed \$1,500,000 in total for all three locations if Buyer requests additional services through amendment to this agreement.*"

At this time, there has been no amendment to the agreement providing the additional funding required.

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