



UNITED STATES GOVERNMENT
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF INSPECTOR GENERAL

MEMORANDUM

DATE: March 9, 2017

TO: Managing Director

FROM: Inspector General *For RM, AIGA*

SUBJECT: Inspection of FCC's Parking Management Services (Report No. 15-INSP-10-01)

The Office of Inspector General (OIG) is providing the final report on our Inspection of the Federal Communications Commission (FCC) Parking Management Services. OIG conducted this inspection consistent with its authority under the Inspector General Act of 1978, as amended, including but not limited to sections 2(1)(2) and 4(a)(1). The inspection is not intended as a substitute for any agency regulatory compliance review or regulatory compliance audit.

This Inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation, dated January 2012. The objective of the inspection was to determine if the contractor's remittance of funds to the FCC was in compliance with the support services contract. The scope of the inspection included a review of documentation related to remittance of parking funds for the period April 1, 2011 through October 31, 2015.

We concluded that FCC did not provide sufficient monitoring of the contractor's performance to ensure amounts the contractor remitted to the FCC were in compliance with the terms of the contract. As a result, the contractor retained funds that were not allowed per the contract. We made two recommendations. The first recommendation offers improvements to enhance the effectiveness and sufficiency of documentation in the contract monitoring files. We also recommend that FCC resolve any overpayments with the contractor before the contract is closed-out.

FCC management concurred with the report findings and recommendations. We attached management's response, in its entirety, in an appendix to the report.

If you have any questions concerning the inspection, please contact me or Robert McGriff, Assistant Inspector General for Audit, at (202) 418-0483 or robert.mcgriff@fcc.gov.

Attachment

cc: Chief Financial Officer
Chief of Staff

INSPECTION OF FCC'S PARKING MANAGEMENT SERVICES

Report No. 15-INSP-10-01

***Federal
Communications
Commission
Office of
Inspector General***

March 9, 2017



OIG HIGHLIGHTS

What we Inspected

Inspections are part of the Office of Inspector General's (OIG's) efforts to ensure Federal Communications Commission (FCC) compliance with Federal regulations and the FCC's rules. We performed an inspection to determine if the amount of funds collected by the FCC's parking services contractor and remitted to the FCC was in compliance with the support service contract.

What We Found

We found that FCC did not provide sufficient monitoring of the contractor's performance to ensure amounts the contractor remitted to the FCC were in compliance with the terms of the contract. As a result, the contractor retained funds that were not allowed by the terms of the contract.

What We Recommended

We made two recommendations. The first recommendation offers improvements to enhance the effectiveness and sufficiency of documentation maintained in contract monitoring files. We also recommend that FCC resolve the overpayments with the contractor before the contract is closed-out.

TABLE OF CONTENTS

Executive Summary	2
Background	3
Objectives, Scope, and Methodology	3
Results of Inspection	4
Appendix A= Management's Response.....	9

Executive Summary

The objective of the inspection was to determine if Infused Solutions LLC, the FCC's parking services contractor, remitted funds to the FCC in compliance with the Facilities Support Services Contract, hereinafter referred to as the "support services contract" (CON1 1000004). The scope of the inspection included a review of funds collected by the parking services contractor and the amount the contractor remitted to the FCC from April 1, 2011 through October 31, 2015. This Inspection was conducted in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Inspection and Evaluation, dated January 2012.

We performed this inspection consistent with our authority under the Inspector General Act of 1978, as amended, including, but not limited to sections 2(1) and 4(a) (1). The inspection is not intended as a substitute for any agency regulatory or compliance review.

We found that FCC management did not effectively monitor the contractor's revenue and fee reporting to ensure that the proper amounts were remitted to the FCC.

Background

Federal Communication Commission's Parking Management Services

The Administrative Services Center (ASC), an office within the FCC Office of Managing Director, is responsible for administering the FCC parking program. The majority of ASC personnel working in parking management services are contractors from Infused Solutions LLC, hereinafter referred to as "Infused Solutions."

Enterprise Acquisition Center (EAC), another office within the FCC Office of Managing Director, is responsible for contracts and purchasing. EAC awarded Infused Solutions a support services contract on March 28, 2011 to operate the parking management services for the FCC garage located at 445 12th Street SW, Washington DC 20554. The contract's initial performance period was April 1, 2011 through March 31, 2012, with four one-year options. When we initiated our review, the contract had been extended through October 31, 2016. Infused Solutions is an 8(a)¹ certified business that specializes in Information Technology (IT) work, and its corporate office is located in Sterling, VA. Infused Solutions also performs facility, logistics and warehouse services for government agencies.

¹ An 8(a) certified business is a business that is eligible to receive federal contracts under the Small Business Administration's 8(a) Business Development Program because it is owned and operated by socially and economically disadvantaged individuals.

Infused Solutions' responsibilities under the support services contract include management of FCC parking garage operations, including collection and remittance of parking funds. Infused Solutions is also responsible for expenses related to their employee's salaries and general maintenance of the garage. Additionally, the contract requires management of parking expenses, including credit card processing fees, merchant processing fees, bank fees, merchant interchange credit card processing, portal fees, and the District of Columbia sales taxes.

The support services contract also requires the performance of 13 administrative and information technology tasks at the FCC. Those 13 services were not included in the scope of our inspection.

Objective, Scope, and Methodology

The objective of our inspection was to determine if Infused Solutions remitted of funds to the FCC in compliance with the support services contract. The scope of the inspection included a review of documentation related to remittance of parking funds for the period April 1, 2011 through October 31, 2015.

We reviewed all authorized parking lists, eParking pay system reports, and badge in/out reports for 2015 to determine the quality of the data received and also to evaluate internal controls. We also tested the monthly FCC Parking Revenue Reports submitted by Infused Solutions for payment from April 1, 2011 through October 31, 2015. The monthly FCC Parking Revenue Reports display total collected parking revenue and expenses, as well as amounts retained by Infused Solutions.

We conducted this inspection in accordance with *Quality Standards for Inspection and Evaluation* issued by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). Those standards require that we plan and perform the inspection to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. The Quality Standards define an inspection as a process that evaluates, reviews, studies, and/or analyzes the programs and activities of a Department/Agency for the purposes of providing information to managers for decision making; making recommendations for improvements to programs, policies, or procedures; and identifying where administrative action may be necessary. Inspections may be used to provide factual and analytical information; monitor compliance; measure performance; assess the efficiency and effectiveness of programs and operations; share best practices; and inquire into allegations of fraud, waste, abuse, and mismanagement.

This inspection included inquires and tests of controls as necessary to satisfy the inspection objective.

Results of Inspection

Improvement is needed in the Monitoring of Contract Fees

We found that FCC's ASC and EAC management did not adequately monitor the support service contract to ensure that its contractor, Infused Solutions, retained the appropriate amounts and remitted the appropriate balances to the FCC in accordance with the terms of the contract. The lack of sufficient contract monitoring led to the contractor retaining funds that were greater than the allowable amount pursuant to the contract.

We reviewed the support service contract to gain an understanding of the allowable contract fees and payment terms. We found that the support service contract allowed for Infused Solutions to retain only a fixed management operating fee each month. The Fee Payment section of the contract states "FCC shall set the parking rate for the garage and Infused Solutions shall retain funds from the monies collected for the monthly permits *in the amount of the agreed-upon fixed management operating fee.*"

To determine whether the contractor retained the correct amount of fees from parking collections, we compared the allowable fixed management fees to the monthly FCC Parking Revenue Reports provided by Infused Solutions. We discovered variances between the allowable fixed management fee, pursuant to the contract, and actual fees retained, as reported in Infused Solutions' monthly revenue reports. For the months reviewed, April 2011 through December 2014, Infused Solutions retained \$123,225 in excess of the allowable fixed management operating fee.

The support service contract did not include provisions allowing the contractor to retain funds to cover the costs of credit card and bank fees or other eParking System management costs. However, the contractor retained funds for those fees and itemized the amounts retained in the monthly FCC Parking Revenue Reports sent to FCC management. The monthly reports containing the unallowable fees, dated back to 2011, the base year of the contract, and continued throughout the contract option years, 2012 through 2015.

The table below provides a summary of the allowable management operating fees and overpayments for credit card and processing fees for the period of our inspection 2011 through 2015.

Calendar Year	Management Fee Retained	Management Fee Allowed Per Contract	Excess Management Fee Retained	Credit Card & Processing Fees Deducted in Excess of Fixed Management Fee
2011	\$354,088	\$330,990	\$7,673	\$15,425
2012	544,059	497,561	10,435	36,063
2013	540,596	499,019	6,824	34,753
2014	536,370	499,386	0	36,984
Total	\$1,975,113	\$1,826,956	\$24,932²	\$123,225

During our review of the FCC contracting officer representative's monitoring files we noted the FCC contracting officer representative sent emails to Infused Solutions questioning their retention of funds for the credit card and processing fees. However, FCC management did not dispute the fees when the contractor presented them in the FCC Parking Revenue Reports. FCC management also did not use available contract remedies, such as disapproving the cost, issuing notice to the contractor to cease collecting unallowable fees, or modify the contract to compensate the contractor for unforeseen costs.

The ineffective contract monitoring was due, in part, to employee turnover within EAC. Four contracting officers had been assigned to this contract since it was awarded in 2011. We believe that ineffective contract monitoring increases the risk of non-compliance with contract terms and improper payments for costs outside the scope of the contract.

Criteria:

Contract number CON 11000004, Attachment 2, section "Fee Payment:"

1. The FCC shall set the parking rate for the garage. The Contractor shall retain funds from the monies collected for the monthly permits in the amount of the agreed-upon fixed management operating fee.
4. The Contractor shall provide the COTR with a monthly report detailing the total funds collected, permits issued, and sums paid to the FCC. This report shall include a copy of the Escrow Account Statement, such account being maintained by the Contractor to receive and manage these fees.

² The amount of excess management fee retained found in column four of the table resulted from Infused Solutions retaining an incorrect amount after a contract modification was executed during the base year of the contract. Infused Solutions reconciled the difference between fixed management fees allowed pursuant to the contract and the excess management fee retained found in column four and provided FCC with a corrective payment in January 2014, prior to the start of our inspection.

5. The Contractor shall have the ability to accept electronic payments for parking from patrons. In addition, the Contractor shall provide written instruction to patrons on how to submit electronic payments.

Federal Acquisition Regulations Volume I; Subpart 42.302 Contract Administration Functions

(a) The contracting officer normally delegates the following contract administration functions to a Contract Administration Office (CAO).

Determine the allowability of costs suspended or disapproved as required, direct the suspension or disapproval of costs when there is reason to believe they should be suspended or disapproved, and approve final vouchers.

Issue Notices of Intent to Disallow or not Recognize Costs

Attempt to resolve issues in controversy, prepare findings of fact and issue decisions under the Disputes clause on matters in which the administrative contracting officer (ACO) has the authority to take definitive action.

Assist in evaluating and make recommendations for acceptance or rejection of waivers and deviations.

Federal Communications Commission Contracting Officer's Representative (COR) Handbook, Amendment Fourteen, 2016, Contract Administration Section 5:

5.1. Contract Administration

Contract administration involves those activities performed by Government officials after a contract has been awarded to ensure that the Government and the contractors fulfill all of their responsibilities under the contract. Contract administration begins with the award and ends when the contract is officially closed out. FAR Part 42 addresses the multiple functions of contract administration and identifies the Government person responsible for each function. According to FAR Part 42, the Contracting Officer (CO) is responsible for contract administration unless the function is delegated. The FAR enumerates 70 contract administration functions and other delegations. See FAR 42.302. The COR is only responsible for the functions delegated in writing by the CO, and, for those functions, the COR takes direction directly from the CO.

The specific nature and extent of contract administration varies from contract to contract. It can range from minimum involvement by the CO, COR, and payment office to a complex contract that demands extensive involvement. Factors influencing the degree of contract administration necessary include: the nature of the work; the complexity, number, and frequency of the deliverables; the type of contract, the need for surveillance and oversight; and the experience and commitment of the Government and contractor personnel involved.

5.2. Contract Administration Duties

5.2.1. CO

The CO is responsible for administering the contract. The CO may not delegate the following functions, but the COR may be consulted by the CO concerning:

- Rejecting supplies and services;
- Negotiating changes to the contract;
- Allowing the contractor to proceed at risk or issuing a Notice to Proceed;
- Conditionally accepting non-conforming supplies or service;
- Approving payment in any amount other than the amount of the fixed contract price;
- Issuing a CO's Final Decision for claims or requests for equitable adjustment;
- Resolving disputes under the Contract Disputes Act;
- Modifying and closing out the contract.

5.22. Contract Modifications

If contract changes are required; a contract modification must be executed before the change takes effect. A contract modification is any written change to the contract. The CO may seek the COR's guidance or recommendation on a proposed modification. The COR must notify the CO of any potential need for a contract modification as soon as the COR becomes aware of the potential need. The COR must have full knowledge of all executed modifications and pending modifications to the contract as they occur to effectively administer the contract.

5.27. Claims and Disputes

Disagreements may arise between the Government and the contractor. In the event of a contractor claim or dispute, the COR may assist the CO by explaining facts leading up to the contractor's submission of a claim, analyzing the technical portions of the claim, recommending a settlement position, and participating in the resolution process. If the CO's decision on the claim is appealed to the Civilian Agency Board of Contract Appeals or the U.S. Court of Federal Claims, the COR may be requested to assist FCC legal counsel or the Department of Justice in defense of the Government.

5.28. Remedies

If there is a deficiency or breach of the contract, the party that has been harmed may be entitled to a remedy. If the contractor breaches the contract or fails to perform, the CO may ask the COR to provide information that will allow the CO to seek the appropriate type of remedy. The remedy may take the form of monetary consideration, changes to the delivery schedule, additional effort or repair, replacement of items, or a replacement contract.

Recommendation:

We recommend that FCC Management:

1. Develop a checklist to ensure that future contract monitoring files include documentation for evaluations of the contractors performance, including records of discussions among the COR, CO, and the contractor regarding the contractor's performance, disputed contract fees, and actions taken to ensure performance deficiencies are resolved in a timely manner.
2. Ensure that the EAC and ASC resolve all overpayments and other discrepancies prior to the final payment and closeout of the Infused Solutions service support contract. Resolution of overpayments should include a review of all funds retained by Infused Solutions, which could result in either recovery of funds, payment offset, or withholding of all or a portion of the final payment to the contractor.

Other Matters

During our inspection we also identified two "Other Matters," that did not rise to the level of a reportable finding.

Other Matters 1 - Data Quality

Our inspection found that the data in the Transit Benefit System (TBS), which FCC management uses to track authorized parkers, was inaccurate. The TBS is a manual data entry system. Management had not established controls requiring quality control checks to validate the accuracy of the data in the TBS system. This increased the risk that errors could occur and go undetected. We discussed this matter with ASC management and offered suggestions to implement quality control checks on TBS data until a new parking services contract is awarded. However, because ASC does not use TBS to track revenue we did not make formal recommendations.

Other Matters 2 - Documented Policies

Our inspection found that while internal controls for parking garage management were in place, ASC management had not formalized and documented their practices in written policies and procedures. During our discussions, management was able to explain its operating procedures and provide documentation to support its key parking garage controls activities. Management agreed they could benefit from formalized policies and procedures, but stated that competing responsibilities had hindered the preparation of written procedures. Based upon our discussion and management's response, no formal recommendation was made.

Appendix A- FCC Management's Comments



UNITED STATES GOVERNMENT FEDERAL COMMUNICATIONS
COMMISSION

Office of Managing Director

MEMORANDUM

DATE: January 12, 2017

TO: David L. Hunt, Inspector General

FROM: Mark Stephens, Managing Director

SUBJECT: Management's Response to Office of Inspector General's Inspection of
FCC's Parking Management Services

Thank you for the opportunity to review and respond to the findings and recommendations contained in the draft report entitled, *Inspection of FCC's Parking Management Services* (15-INSP-10-01). This report presents the results of the Federal Communication Commission's (FCC) Office of Inspector General's inspection of the FCC's administration of its contract for parking management services. The report identifies opportunities for the FCC to improve the management of its contract for parking management services. The Office of Managing Director has reviewed the findings and recommendations made by the Office of Inspector General and concurs with each of them.

With regard to the findings in the inspection report, the FCC will take corrective action to resolve these findings as quickly as possible. The report makes an important recommendation to the FCC to strengthen its contract monitoring; the FCC will begin working to update its policies and procedures to incorporate the corrective actions included in this recommendation.

Furthermore, the Office of Inspector General identified certain potential overpayments under this contract that it recommends the FCC should resolve with the contractor prior to the end of the contract. The FCC is committed to operating its contracts with integrity and preventing, detecting, and responding to any issues related to contract payment issues. As such, the FCC will work with the contractor to resolve these discrepancies before the contract period ends.

The FCC values these recommendations, and through increased coordination between the FCC's contracting team and its Administrative Services Center team, the FCC believes it can limit any potential issues in this area in the future.

We thank the Inspector General for their time, input, and insights on the controls surrounding the contract for parking management services. We look forward to continuing to work in tandem with the Office of Inspector General to ensure the continual improvement of the FCC's control systems.

A handwritten signature in black ink, appearing to read "Mark Stephens". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Mark Stephens
Managing Director



HELP FIGHT FRAUD.WASTE.ABUSE

Toll free at 1-888-863-2244 or call 1-202-418-0473
<https://www.fcc.gov/general/office-inspector-general-hotline>