



NATIONAL  
ARCHIVES

OFFICE of  
INSPECTOR GENERAL

Date : August 11, 2011

Reply to

Attn of : Office of Inspector General (OIG)

Subject : Management Letter No. 11-19, Review of [REDACTED] Subcontract Costs

To : David S. Ferriero, Archivist of the United States (N)

The purpose of this management letter is to bring to your attention an [REDACTED] [REDACTED] contracting situation that has and continues to place NARA at risk for improper and unsupported payments to a subcontractor. The issue involves two time-and-materials subcontracts, totaling approximately \$4 million, awarded by [REDACTED] to [REDACTED], that provides computer programming services.

We were asked by [REDACTED] contracting officer (CO) to determine if [REDACTED] subcontract costs submitted by [REDACTED] and paid by NARA were accurate, supported, and allowable. The CO and his Contracting Officer's Representative reviewed [REDACTED] costs and had the following concerns: (1) the [REDACTED] worked an excessive number of hours, including weekends and holidays; (2) direct labor rates continually changed without any justification; and (3) people were added to the subcontract without NARA approval.

We reviewed the supporting documentation initially provided by [REDACTED] to NARA, and found it was inadequate to support payment of [REDACTED] invoices for costs associated with [REDACTED] subcontract costs. Specifically, the documentation did not provide the basis to perform a contract review in accordance with government audit policy and standards. For example, we found no employee timesheets with which to validate the direct labor hours charged by [REDACTED] staff, and the staff consistently charged an excessive amount of overtime hours on the subcontract without any documentation that those hours were pre-approved as required by the terms of the subcontract.

In February 2011, we began attempting to secure additional, adequate documentation from [REDACTED] to perform an appropriate review of [REDACTED] billed costs. We have sent multiple requests to [REDACTED] for such documentation. To date, [REDACTED] has failed to provide sufficient documentary evidence to support the costs billed to [REDACTED] and paid with NARA funds. On July 25, 2011, we made a final request for [REDACTED] accounting records and documents needed to support invoices submitted for payment from August 2008 to present. Responding to our last request, [REDACTED] provided a "thumb" drive containing some documentation, but not the documentation requested, further hindering the review.

Documentation and information requested, but still not provided, include: (1) Cash Receipts Journals, (2) Cash Disbursement Journals, (3) Payroll Ledgers, (4) Payroll Journals, (5) Bank Statements, (6) Monthly [REDACTED] submitted to [REDACTED] of the hours and costs recorded in the [REDACTED] Ledgers, (7) documentation supporting that the [REDACTED] staff members are U. S. citizens, and (8) copies of any other subcontracts awarded to [REDACTED] that involved effort performed from 2008 to present. The requested documentation is customary, appropriate, and necessary for performing a review of costs associated with time-and-materials type contracts. [REDACTED] has been provided with multiple requests and has had more than ample time to provide this basic documentation. Without such documentation we are unable to perform an acceptable contract review.

In the near future, we plan to issue two audit reports containing the results of our review of [REDACTED] subcontracts, one report dealing with incurred costs and the other with subcontract management. At this point we are not able to validate [REDACTED] invoiced costs due to this lack of appropriate documentation. Accordingly, it is our determination that NARA officials do not have adequate support to validate payment for [REDACTED] costs. Please contact me if you have any questions or require additional information concerning the issue discussed in this management letter.

Paul Brachfeld  
Inspector General