



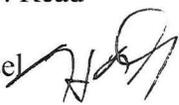
United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

AUG 11 2011

MEMORANDUM

TO: A/LM/AQM – Cathy J. Read

FROM: OIG – Harold W. Geisel 

SUBJECT: Report on *Audit of Department of State Data Center Program Funded by the American Recovery and Reinvestment Act* (AUD/CG-11-34)

The subject report is attached for your review and action. As the action office for the report's one recommendation, please provide your response to the report and information on actions taken or planned for the recommendation within 30 days of the date of this memorandum. Actions taken or planned are subject to follow-up and reporting in accordance with the attached compliance response information.

The Office of Inspector General (OIG) incorporated your comments as appropriate within the body of the report and included them in their entirety as Appendix C.

OIG appreciates the cooperation and assistance provided by your staff during this audit. If you have any questions, please contact Evelyn R. Klemstine, Assistant Inspector General for Audits, at (202) 663-0372 or Richard Astor, Division Director, at (703) 284-2601 or by email at [astorr@state.gov](mailto:astorr@state.gov).

Attachment: As stated.

cc: INR/EX/B&F – (b) (6)   
M/PRI – (b) (6)   
IRM/BMP/SPO/SPD – (b) (6) 

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**United States Department of State  
and the Broadcasting Board of Governors  
Office of Inspector General**

**Office of Audits**

**Audit of the  
Department of State  
Data Center Program  
Funded by the  
American Recovery and Reinvestment Act**

**AUD/CG-11-34  
August 2011**

**~~Important Notice~~**

~~This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. § 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

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United States Department of State  
and the Broadcasting Board of Governors

*Office of Inspector General*

PREFACE

This report is being transmitted pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared as part of the Office of Inspector General's (OIG) responsibility to promote effective management, accountability, and positive change in the Department of State and the Broadcasting Board of Governors.

This report addresses the Department of State's (Department) compliance with Federal, Department, and American Recovery and Reinvestment Act (Recovery Act) acquisition management practices as related to the Department's Data Center Program. The report is based on interviews with Department employees and officials, direct observation, and a review of applicable documents.

OIG contracted with the independent public accountant Clarke Leiper, PLLC, to perform this audit. The contract required that Clarke Leiper perform its audit in accordance with guidance contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Clarke Leiper's report is included.

Clarke Leiper identified three areas in which improvements could be made: transparency of award notifications posted on the Web site FedBizOpps, compliance with certain requirements established by the Office of Management and Budget, and accuracy of reporting by award recipients.

OIG evaluated the nature, extent, and timing of Clarke Leiper's work; monitored progress throughout the audit; reviewed Clarke Leiper's supporting documentation; evaluated key judgments; and performed other procedures as appropriate. OIG concurs with Clarke Leiper's findings, and the recommendation contained in the report was developed on the basis of the best knowledge available and was discussed in draft form with those individuals responsible for implementation. OIG's analysis of management's response to the recommendation has been incorporated into the report. OIG trusts that this report will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of the individuals who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "Harold W. Geisel".

Harold W. Geisel  
Deputy Inspector General

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**CLARKE LEIPER, PLLC**

CERTIFIED PUBLIC ACCOUNTANTS

6265 FRANCONIA ROAD

ALEXANDRIA, VA 22310-2510

703-922-7622

FAX: 703-922-8256

DORA M. CLARKE

LESLIE A. LEIPER

**Audit of Department of State Data Center Program Funded by the American Recovery and Reinvestment Act**

Office of Inspector General  
U.S. Department of State  
Washington, D.C.

Clarke Leiper, PLLC (referred to as “we” in this letter), has performed an audit of the Department of State’s (Department’s) Data Center Program funded by the American Recovery and Reinvestment Act (Recovery Act). We evaluated the program’s planned activities, contracts awarded with Recovery Act funds, and compliance with reporting requirements established by the Recovery Act. This performance audit, performed under Contract No. SAQMPD04D0033, was designed to meet the objective identified in the report section “Objective” and further detailed in Appendix A, “Scope and Methodology,” of the report.

We conducted this performance audit from April through October 2010 in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. We communicated the results of our performance audit and the related findings and recommendation to the Department of State Office of Inspector General.

We appreciate the cooperation provided by personnel in Department offices during the audit.

A handwritten signature in black ink that reads "Clarke Leiper PLLC". The signature is written in a cursive, flowing style.

Clarke Leiper, PLLC  
July 2011

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**Acronyms**

Department	Department of State
ESOC	Enterprise Server Operations Center (Data Center)
FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities (FedBizOpps)
FPDS	Federal Procurement Data System (FPDS.gov)
GSA	General Services Administration
GAGAS	generally accepted government auditing standards
IRM	Bureau of Information Resource Management
MOU	memorandum of understanding
OIG	Office of Inspector General
OMB	Office of Management and Budget
Recovery Act	American Recovery and Reinvestment Act of 2009

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### **Executive Summary**

The American Recovery and Reinvestment Act of 2009 (Recovery Act)<sup>1</sup> provided approximately \$120 million to fund the Data Center program to produce a more secure information technology (IT) infrastructure in order to protect the Department of State's (Department) physical and logical information and assets. By implementing a state-of-the-art secure IT infrastructure, the Department will enhance its ability to execute its diplomatic mission, serve the U.S. public, and strengthen its infrastructure from cyber security threats.

The objective of our audit was to determine whether the Department adequately implemented Data Center program plans, achieved stated program outcomes, and complied with the reporting requirements of the Recovery Act.

We found that program managers in the Bureau of Information Resource Management (IRM) had successfully planned for and integrated the Data Center program into the Department's Data Center Consolidation plan. Because the objectives of the Data Center program are already part of the Data Center Consolidation plan, much of the initial planning has already been completed and approved. The overall plan for a new Data Center has existed for several years, and the Recovery Act provided the funding necessary to execute those plans. The plan for the Data Center program includes appropriate focus on accountability and other requirements of Recovery Act funds. In addition, we determined that there were no deviations or major delays in executing the plan and that major milestones were met.

The Department has taken appropriate actions in establishing guidelines intended to ensure compliance with Office of Management and Budget (OMB) requirements for the Recovery Act. We found that reimbursements to the General Services Administration (GSA) for awarding and managing construction of the Data Center in the Western United States, pursuant to a Department memorandum of understanding (MOU), were accurate and complete. In addition, contracts were awarded in accordance with the *Federal Acquisition Regulation* (FAR) and OMB memoranda.<sup>2</sup> While procedures related to data transparency and reporting requirements were established and implemented, a few minor instances of noncompliance were identified for the Data Center program. Specifically, Recovery Act transparency requirements identifying the purpose, nature, and corresponding program for contract awards were not met prior to posting or publicizing information. Also, some Recovery Act award information was not reported accurately.

We recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), enhance its contract oversight efforts to ensure more complete and accurate reporting of award information.

In its response to the draft report (see Appendix C), AQM concurred with the recommendation. Based on the response, OIG considers the recommendation resolved, and it

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<sup>1</sup> Pub. L. No. 111-5, 123 stat. 115 (2009).

<sup>2</sup> Memoranda M-09-10, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, and M-09-15, *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*.

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will be closed pending review and acceptance of documentation for the actions OIG specified. The response and OIG’s analysis are presented after the recommendation.

**Background**

The Recovery Act was signed into law as a direct response to the recent economic crisis in an effort to jumpstart the economy and invest in long-term growth by creating or saving jobs and putting a downpayment on addressing long-neglected challenges. The Department was provided \$602 million in Recovery Act funds to create and save jobs, repair and modernize domestic infrastructure crucial to the safety of American citizens, enhance energy independence, and expand consular services offered to American taxpayers. The Recovery Act also established an unprecedented level of accountability and transparency in Government spending. Agencies and contractors are subject to new reporting requirements set forth by OMB that will allow the general public to view Recovery Act spending in a direct and timely manner. The Department’s projects and a breakdown of proposed spending of Recovery Act funds are summarized in Table 1.

**Table 1. Department Projects and Proposed Spending of Recovery Act Funds**

<b>Department of State – Account / Project</b>	<b>Funds (in 000s)</b>
<b>Diplomatic &amp; Consular Programs</b>	<b>\$90,000</b>
- Hard Skills Training Center	70,000
- Consular Affairs Passport Facilities	15,000
- National Foreign Affairs Training Center	5,000
<b>Capital Investment Fund</b>	<b>\$290,000</b>
- <b>Data Center</b>	<b>\$120,000</b>
- Information Technology (IT) Platform	33,500
Diplomatic Facility Telephone System Replacement	10,000
Replacement of Aging Desktop Computers	13,000
Mobile Computing	10,500
- Cyber Security	98,500
Tools To Guard Against and Track Cyber Attacks	64,205
Strengthen Computer H/W Security Testing & Forensic Investigations	4,000
Safeguarding Citizens – Computer Security Systems	25,366
Expanded Cyber Education	4,929
Transfer to U.S. Agency for International Development	38,000
<b>Office of Inspector General</b>	<b>\$2,000</b>
<b>International Boundary and Water Commission Construction</b>	<b>\$220,000</b>
<b>TOTAL</b>	<b>\$602,000</b>

Source: Department of State.

Of the total \$602 million provided by the Recovery Act, \$120 million is designated for the design and construction of a new enterprise data center in the western part of the United States. The new data center, the Enterprise Server Operations Center (ESOC) West, will be established within the Western United States and is an integral component of the Department’s existing Data Center Consolidation plan. The Data Center Consolidation plan focuses on three aspects of consolidation: consolidating domestic data centers; consolidating servers; and

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consolidating data center services leading to improved systems availability, scalability, security, and cost efficiency.

As of May 2011, multiple data centers were located throughout the Washington, D.C., metropolitan region, resulting in a network of systems and servers that operates inefficiently. The Department's systems have experienced significant growth over the past several years, and the current infrastructure and framework will not be able to sustain future needs. The overall goal of the Data Center Consolidation plan is to consolidate all of the data centers within two geographically dispersed ESOCs in order to increase efficiency, reduce the Department's data security risk, ensure continuity of operations, and provide for future IT growth. The two ESOCs are the proposed ESOC-West, which will be a Government-owned facility, and the recently established ESOC-East (located in Virginia). ESOC-East became fully operational in July 2009 and is a leased facility located within a mixed-use Government and commercial compound. The consolidation of servers focuses on eliminating duplicative servers or combining multiple servers onto single larger servers through a process called "virtualization." This process involves partitioning a single physical server into smaller "virtual" servers, thereby enabling multiple applications to run on the same computer. Many of the Department's current servers were purchased for the purpose of running a single application, resulting in wasted server capacity. Combining, or virtualization, of servers recovers this otherwise unused capacity, which also reduces both capital and operating costs.

Additionally, consolidation of data centers offers an opportunity to improve data center services to customers and reduce costs through economies of scale by consolidating activities such as backup, monitoring, and data storage once bureaus are housed within the ESOC.

The construction of the ESOC-West will be accomplished through an MOU between the Department and GSA. The agreement includes providing GSA with funding authority of \$79,362,805 through a Reimbursable Work Authorization. GSA is responsible for overseeing construction of the data center as well as for managing, awarding, and reporting on construction contracts. GSA will incur all costs related to the Reimbursable Work Authorization and will invoice the Department on a monthly basis. Construction is scheduled for completion in September 2011, with subsequent transitioning of systems planned for May 2012. The ESOC-West is projected to open and to be fully operational in June 2012.

### **Objective**

The objective of our audit was to determine whether the Department adequately implemented Data Center program plans, achieved stated program outcomes, and complied with the reporting requirements of the Recovery Act.

### **Results of Audit**

The Department has made progress in accomplishing Data Center program objectives, plans, and milestones. The success of the Data Center program was the result of collaboration between several Department bureaus and other Department personnel and contractor staff. We found that the Data Center program as part of the Department's Data Center Consolidation plan

was thorough and well thought out. We found no deviations or major delays in execution of the plan.

As of September 30, 2010, almost 100 percent of the \$120 million in program funds designated for the Data Center program had been obligated. Overall, IRM program managers have complied with OMB management and financial oversight requirements. Also, funds were awarded and distributed in a prompt, fair, and reasonable manner. However, we noted several areas in which Recovery Act procedures were not followed and contract data was not reported accurately.

**Finding A. Program Objective Is Generally Being Achieved**

Based on our evaluation of project management, review of supporting documents, and tests for propriety of contract obligation and expenditure transactions, we determined that the Data Center program is on time and on budget and that Recovery Act funds were used appropriately and spent according to approved plans. The project experienced no significant delays or major obstacles. As of May 2011, 100 percent of the design of the ESOC-West had been completed, and construction was underway. Department and contractor ESOC teams are in the planning stages of transition and decommissioning and are in the process of completing 100 percent of the Department's transition plans for migrating systems upon completion of the ESOC-West. Other than the procurement of IT equipment, most of the expenditures will result from actual construction costs of the ESOC-West and the transitioning of systems after construction is complete. Initial work has started related to implementation of infrastructure and hardware as well as for preliminary software testing at the Beltsville Maryland Information Management Center in support of the Department's plan for repurposing the Beltsville Center to meet its future test and development systems requirements.

The Data Center program did not experience any significant delays or funding issues specific to those activities that were funded by the Recovery Act. The activities funded by the Recovery Act under the Data Center program do not represent complete and discrete projects. Rather, these efforts relate to the Department's existing and ongoing Data Center Consolidation plan, which is part of its IT Strategic Plan. The Recovery Act provided necessary funding to supplement and assist in accomplishing key activities that were already planned and included within the Department's long-term plans. To fully complete the Data Center Consolidation plan, additional objectives (those that were not included within the Recovery Act program plans), funding, and resources will be required in FY 2011 and beyond.

As of September 30, 2010, almost 100 percent, or \$119,972,941, of the \$120 million designated for the Data Center Program had been obligated. Funds obligated for contracts and the Reimbursable Work Authorization with GSA represented 99.6 percent of all Data Center program obligations. The remaining funds represent costs related to travel, airfare, and surcharges on contracts awarded under the Bureau of Administration, Office of Acquisitions Management. Data Center Program obligations and expenditures as of September 30, 2010, as shown in Table 2.

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**Table 2. Data Center Program Obligations and Expenditures**

<b>Data Center Program Funds as of 9-30-2010</b>	<b>Obligations</b>	<b>Expenditures</b>
Reimbursable Work Authorization – GSA	\$79,362,805	\$4,606,391
Contracts / Awards to Vendors	40,133,531	31,287,717
Other – Travel, Bureau of Administration, Office of Acquisition Management surcharges, and misc.	476,605	475,066
<b>TOTAL</b>	<b>\$119,972,941</b>	<b>\$36,369,174</b>

Source: Department of State.

In addition to the construction of the ESOC-West, the Recovery Act will fund activities to assist Department personnel with the IT integration component of the Department's existing Data Center Consolidation plan. This assistance consists of drafting plans for migrating existing IT systems to ESOCs East and West, initially implementing those plans, and repurposing and decommissioning existing data centers. Specifically, the Data Center program used Recovery Act funds for the following purposes:

- Designing and constructing the ESOC-West.
- Procuring hardware, software, and other IT equipment to be housed within ESOC-West or needed for the IT integration component.
- Providing funding to supplement existing Department efforts and using contractors to assist with the decommissioning of old data centers, repurposing the Beltsville Information Management Center to house the Department's development systems, and complying with Recovery Act reporting requirements.

In addition to the \$79,362,805 for the Reimbursable Work Authorization with GSA, major contracts awarded to assist the Department with the cited objectives are summarized in Table 3.

**Table 3. Data Center Program Major Contracts**

<b>Vendor</b>	<b>Award</b>	<b>Awarded as of 9-30-10</b>	<b>Labor Services</b>
Einhorn Yaffee & Prescott (EYP)	SAQMMA09F1591	\$ 3,114,215	Provide architectural design and engineering services.
Gartner Group	SAQMMA09L1471	\$ 1,325,524	Provide technical and programmatic expertise in delivery of a range of services—mainly program management and assistance in complying with Recovery Act requirements. This expertise also includes sourcing strategy, transition planning, price and performance benchmarking, and optimizing processes.
Intercom Federal Systems Corp.	SAQMMA09F3829	\$ 7,655,088	Provide, in collaboration with the Department's ESOC team, transition services for planning and migrating existing ESOC systems and customers to the Department's new data centers ESOC West and East, and assist in repurposing the Beltsville Information Management Center to support the Department's development requirements.

Source: Department of State.

## **Finding B. Program Is Generally in Compliance With Recovery Act Requirements**

IRM program managers adequately planned for and managed funds provided for the Data Center program. Recovery Act funds were used for their intended purposes, and overall, the Department complied with OMB requirements. We found that funds were awarded and distributed in a prompt, fair, and reasonable manner and that contractors and other fund recipients met eligibility requirements and complied with award requirements. For example, fixed-price contracts were made to American companies for hardware, software, and circuits in support of American high-technology companies. As required by the Recovery Act, separate Treasury Account Symbols were established for the Data Center program. As reported through the Department's Capital Investment Fund, we verified that program funds had proper approvals and that the monitoring of subprojects and contracts was adequate, as shown in Appendix C, "Capital Investment Fund." We noted, however, some minor instances in which Recovery Act procedures were not followed and contract data was not reported accurately.

### **Notifications on the Federal Business Opportunities Web Site**

For the 15 contracts reviewed, we found that the majority of the notifications on the Web site FedBizOpps.gov did not provide adequate transparency or a clear understanding to the general public of the purpose, nature, and corresponding program of the procurements. The Department has publicized both its program plans and its contracts awarded with Recovery Act funds. However, nine award notifications did not reference specific program plans or objectives, making it difficult to determine which awards were made with respect to the Department's Recovery Act programs. In addition, 11 award notifications did not include descriptions of the products or services that could be readily understood by the general public.

In that regard, OMB Memorandum M-09-15<sup>3</sup> states:

Agencies should ensure that their descriptions of procurements use language appropriate for a more general audience, avoiding industry-specific terms and acronyms without plain language explanations. Taxpayers, media, and others are using our business systems to gain insight on how Recovery Act funds are being spent.

Transparency and accountability of Recovery Act funds are major requirements of the act. However, almost all program funds have been obligated. Therefore, we are not making any recommendations for IRM's Enterprise Network Management Division to take actions to improve transparency for future procurement notifications reported through FedBizOpps.gov. Nevertheless, this deficiency prevented the general public from having the ability to identify procurements made pursuant to the Cyber Attacks program, since descriptions within award notifications did not contain references or mention corresponding programs.

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<sup>3</sup> OMB Memorandum M-09-15, pt. 6.2.

## **Recipient-Reported Data on Award Information**

For the quarterly reporting period ended June 30, 2010, we identified one award in which recipient-reported data did not agree with source documentation. Specifically, the recipient was reporting under the incorrect award number. The award was a \$55,784 delivery order against an existing National Aeronautics and Space Administration (NASA) Solutions for Enterprise-Wide Procurement (SEWP) contract<sup>4</sup> that was invoiced and completed in May 2010. For the reporting period ended June 30, 2010, the award activity was not publicized because the vendor reported the information under the NASA SEWP contract number and not under the Department's delivery order number.

The FAR<sup>5</sup> establishes reporting requirements for contractors receiving awards that were funded by the Recovery Act. The information to be reported includes cumulative amounts awarded, cumulative amounts spent, descriptions of goods and services, assessment of contractor progress toward completion, and any subcontracting activity. Contractors receiving awards under the Recovery Act are required to report on award information and activities on a quarterly basis using the online reporting tool FederalReporting.gov. This information is then uploaded from FederalReporting.gov to Recovery.gov for publicizing to the general public. Department personnel are required to review recipient-reported information every quarter to ensure consistency with Department records. However, as noted, recipient-reported data for the Data Center program showed an underreporting of \$55,784.

**Recommendation 1.** We recommend that the Bureau of Administration's Office of Logistics Management, Office of Acquisitions Management (AQM), ensure, through more effective oversight of the quarterly review of recipient-reported data, that contractors that receive awards from the American Recovery and Reinvestment Act for the Data Center program provide accurate award information and that the inaccurate award information identified in this report is corrected.

**Management Response:** AQM concurred with the recommendation, stating that the bureau will research reported inaccuracies and provide OIG with an action plan to resolve any discrepancies.

**OIG Analysis:** On the basis of the response, OIG considers the recommendation resolved. OIG will consider the recommendation closed pending review and acceptance of AQM's action plan.

## **Instances of Noncompliance With Certain Office of Management and Budget Requirements**

Management and oversight of OMB requirements for contracts supporting the Cyber Attacks program were generally accomplished. However, we identified instances of agency noncompliance with OMB Memorandum M-09-15 concerning performance requirements by

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<sup>4</sup> NASA SEWP is a Government-wide acquisition contract vehicle for IT products and services

<sup>5</sup> FAR 52-204-11, "American Recovery and Reinvestment Act – Reporting Requirements." (March 2009)

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agencies in awarding contracts to contractors were identified. Specifically, for the 15 contracts reviewed, we noted the following instances of noncompliance:

- The clause in the FAR (part 52.204-11)<sup>6</sup> that specifies recipient reporting requirements was not included in the award documents for one award.
- Pre-solicitation and award notifications were not published on FedBizOpps.gov for two awards. According to the FAR,<sup>7</sup> agencies should publish both pre-solicitation and award notifications on FedBizOpps for the procurement of all goods and services using Recovery Act funds.
- On the Federal Procurement Data System (FPDS.gov) Web site, one award was not identified as a Recovery Act initiative. According to the FAR,<sup>8</sup> in addition to publicizing contract and award actions within FPDS.gov, agencies should label all awards that are Recovery Act related.

Since almost all program funds have been obligated and the noncompliance instances cited are primarily isolated, we are not making any recommendations in this area.

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<sup>6</sup> Ibid.

<sup>7</sup> FAR 5.704, "Publicizing Pre-award," and FAR 5.705, "Publicizing Post-award."

<sup>8</sup> FAR 4.605, "Contract Reporting - Procedures."

## **Scope and Methodology**

The Department of State (Department), Office of Inspector General (OIG), contracted with Clarke Leiper, PLLC, independent public accountant, to audit the Department's Data Center program.

The purpose of this audit was to evaluate the Data Center program and assess the Department's planning and incorporation of Recovery and Reinvestment Act funds to meet program objectives, to ensure that Recovery Act funds were used for their intended purpose, and to determine whether the Department complied with Office of Management and Budget (OMB) requirements. To ensure the adequacy of the program plans and to ensure that the Department will use Recovery Act funds appropriately, we performed audit procedures to determine whether

- Funds were awarded and distributed in a prompt, fair, and reasonable manner.
- Recipients and uses of all funds were transparent to the public and the public benefits of the funds were reported clearly, accurately, and in a timely manner.
- Risks associated with the project receiving Recovery Act funding have been identified and communicated to the Department.
- Funds were used for authorized purposes.
- The program has taken action to identify and mitigate instances of fraud, waste, error, and abuse.
- Established schedules were monitored and delays were properly justified.
- Cost overruns and unnecessary delays were avoided and lessons learned were identified to prevent recurrences.
- Program goals were achieved and specific program outcomes were realized.
- Contractors and other fund recipients met eligibility requirements and complied with award requirements.
- Adequate planning was conducted for potential future project phases.

We conducted the audit work from April through October 2010. This work was conducted in accordance with generally accepted government auditing standards. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We and OIG believe that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

In our audit of the Department's Data Center program, we interviewed project managers at the Bureau of Information Resource Management (IRM) and evaluated documentation supporting planned activities and milestones, risk assessments, and other relevant documents in support of major accomplishments or decisions. For compliance with Recovery Act requirements, we reviewed contract files, award documentation, and information published on the Web sites Recovery.gov, FPDS.gov, and FBO.gov. In determining the proper use of Recovery Act funds, we tested sampled transactions and reviewed related source documents, including purchase orders, contracts, vendor invoices, and payment and approval vouchers.

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In the draft report, we addressed the report's one recommendation to IRM. However, IRM officials suggested that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), would be the more appropriate office to take action on this recommendation. Therefore, we redirected the recommendation in this final report to AQM, whose response is presented in Appendix C.

### **Work Related to Internal Controls**

To assess the adequacy of internal controls related to the weekly activity reports, the accountability of Recovery Act funds, and the monitoring of projects to avoid cost overruns and delays, we performed the following actions:

- Obtained an understanding of the processes and procedures.
- Reviewed source documentation and other types of evidence in order to confirm the adequacy of stated controls.
- Compared weekly report balances with details and reconciled differences in the Global Financial Management System (GFMS).
- Reviewed internal reports related to the compilation of balances and amounts for reporting to the public.
- Compared reported progress with information in the planning documents and progress schedules.
- Determined that separate Treasury Account Symbols were established for Recovery Act programs.
- Verified proper approval over transactions involving Recovery Act funds.
- Discussed, with program managers, issues regarding cost overruns and delays and subsequently compared responses with expenditure details and program schedules to assess the reasonableness of responses.

### **Data Reliability**

We selected a sample and performed the following procedures in assessing data reliability and quality:

- Reviewed contract files to determine whether contracts were competitively awarded and at fixed cost.
- Tested, if a contract was determined to have been awarded noncompetitively or at a non-fixed cost, whether those contracts were disclosed and listed within a separate section on Recovery.gov.
- Reviewed, for each contract, corresponding notifications and award information published on FedBizOpps and FPDS.gov to determine whether all required Recovery Act disclosures and identifying information were reported.
- Reviewed, for each contract, the vendors' reported data from Recovery.gov to ensure that all required information was included. We also compared vendor-reported amounts with those within GFMS.

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- Compared weekly financial report balances with information on underlying schedules and GFMS details.

### **Work Related to the General Services Administration**

To test compliance with the Department's memorandum of understanding (MOU) with GSA and to verify Data Center program progress, we performed the following procedures:

- Reviewed the MOU and inspected the document for appropriate approvals.
- Reviewed all funding documents under the Reimbursable Work Authorization and traced dollar amounts to the Department's financial system.
- Reviewed the results of testing major contracts awarded under the Reimbursable Work Authorization from GSA's OIG to determine that the contracts were appropriately awarded under the Recovery Act.
- Compared GSA's Reimbursable Work Authorization budgeting and monitoring schedules with information on vendor invoices.
- Reviewed sampled monthly billings from GSA and reviewed supporting vendor invoices.
- Recalculated the overhead and administrative fees invoiced to the Department to ensure that they were consistent with the percentages stated within the MOU.
- Reviewed Data Center program planning documents to support and justify the decision to use GSA services and to locate within the Western United States Federal Center.

### **Use of Computer-Processed Data**

We used computer-processed data from GFMS to select sample items for testing contracts and obligation and/or expenditure transactions. We also used GFMS details and reconciling schedules to compare the accuracy of balances reported within the Recovery Act weekly financial reports posted by the Department. We determined that the GFMS data and schedules were reliable based on our selected sample and our testing of internal controls involving the weekly reporting process.

**Capital Investment Fund**

Funding from the Recovery and Reinvestment Act (Recovery Act) for the Department of State (Department) is allocated between four separate Treasury Account Symbols (TAS), or funds. These funds were created to comply with the Recovery Act requirement of tracking and accounting for Recovery Act funds separately from other agency funds. All TASs and related activities are included within the Department’s weekly financial reports. The Department obligated nearly 100 percent of the available amount for the Data Center program.

The Department’s Capital Investment Fund (TAS 1119) is broken down into three sections—the Data Center, Cyber Security, and IT Platform initiatives, as shown in Table 1. The Data Center program is tracked and recorded under the Data Center portion of the fund (TAS 1119.0001).

**Table 1. Capital Investment Fund**

<b>Department of State – Capital Investment Fund (TAS 1119)</b>	<b>Fund Code</b>	<b>Planned Budgeted</b>	<b>Actual Obligations</b>
- Data Center	1119.0001	120,000,000	119,972,941
- Cyber Security	1119.0002	98,500,000	98,502,834
- IT Platform	1119.0003	33,500,000	33,499,148
Transfer to U.S. Agency for International Development (USAID)	-	38,000,000	38,000,000
<b>TOTAL</b>		<b>\$ 290,000,000</b>	<b>\$ 289,974,923</b>

Source: Department of State.



United States Department of State

Washington, D.C. 20520

July 19, 2011

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**MEMORANDUM**

TO: OIG/AUD – Mark Taylor

FROM: Cathy Read  A/LM/AQM

SUBJECT: Draft Reports on Audit of the Department of State Data Center  
Program Funded by the American Recovery and Reinvestment Act

**Recommendation 1:** We recommend that the Bureau of Information Resource Management, Enterprise Network Management Division, ensure, through more effective oversight of the quarterly review of recipient-reported data, that contractors that receive awards from the American Recovery and Reinvestment Act for the **Data Center program** provide accurate award information and that the inaccurate award information identified in this report is corrected.

**A/LM/AQM response:**

A/LM/AQM will work with the OIG regarding the identified contracts/task orders and will research each reported inaccuracy. Once all procurement-related actions have been researched and verified, A/LM/AQM will provide OIG with an action plan to resolve any discrepancies.

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