



Office of Audits
Office of Inspector General
U.S. General Services Administration

GSA's Administration of Performance-Based Contracts Puts the Government at Risk of Unsatisfactory Contractor Performance and Wasted Funds

Report Number A210064/A/3/F23002
February 9, 2023

Executive Summary

GSA's Administration of Performance-Based Contracts Puts the Government at Risk of Unsatisfactory Contractor Performance and Wasted Funds

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Why We Performed This Audit

This audit was included in our *Fiscal Year 2020 Audit Plan* upon the recommendation of a Public Buildings Service Assistant Commissioner. Since Fiscal Year 2020, we have identified GSA's contract administration as a significant management and performance challenge. Our audit objectives were to: (1) determine whether GSA administers performance-based service contracts in accordance with regulations, guidance, and internal policies to evaluate contractor performance and ensure conformance with contract requirements; and (2) determine if performance-based contract administration functions vary across GSA and identify best practices, as applicable.

What We Found

GSA contracting personnel are not administering performance-based service contracts in accordance with regulations, guidance, and internal policies. As a result, GSA is at risk of unsatisfactory contractor performance and wasted government funds.

We found that GSA contracting personnel are not always establishing or enforcing quality assurance surveillance plans (QASPs). Consequently, GSA contracting personnel are not ensuring that the government receives the services it is paying for. In addition, we found that GSA contracting personnel are not preparing justified or timely past performance reports, which may lead to future contract awards to underperforming contractors. Finally, while the Federal Acquisition Service has established an internal policy intended to improve contract administration, the policy's effectiveness could not be determined because Federal Acquisition Service contracting personnel were not complying with the policy.

What We Recommend

We recommend that the GSA Administrator, through the Federal Acquisition Service and Public Buildings Service Commissioners, and the Assistant Administrator for the Office of Administrative Services:

1. Revise or issue Agency policy to ensure:
 - a. The appropriate oversight of acquisition planning activities for performance-based service contracts, including the creation of a QASP that complies with applicable regulations; and

- b. Contracting personnel have clear, descriptive instruction on how to monitor and enforce QASPs during contract administration to ensure compliance and improve acquisition outcomes.
2. Require contracting personnel to complete refresher training on any revised policies and new training on any policies issued in response to this audit report.
3. Ensure Contractor Performance Assessment Reporting System assessments are supported by justification narratives, accurately depict contractor performance, and are timely.
4. Implement management oversight to ensure contracting personnel comply with policies and procedures intended to ensure sufficient government oversight of contractor performance.

GSA agreed with our findings and recommendations. GSA's written comments are included in their entirety in **Appendix B**.

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Introduction

We performed an audit of GSA’s contract administration of performance-based service contracts within its Public Buildings Service (PBS), Federal Acquisition Service (FAS), and Office of Administrative Services (OAS).

Purpose

This audit was included in our *Fiscal Year 2020 Audit Plan* upon the recommendation of a PBS Assistant Commissioner. Since Fiscal Year (FY) 2020, we have identified GSA’s contract administration as a significant management and performance challenge. The audit scope provided the opportunity to analyze contract administration across GSA services and identify possible best practices.

Objectives

Our audit objectives were to: (1) determine whether GSA administers performance-based service contracts in accordance with regulations, guidance, and internal policies to evaluate contractor performance and ensure conformance with contract requirements; and (2) determine if performance-based contract administration functions vary across GSA and identify best practices, as applicable.

See **Appendix A** – Objectives, Scope, and Methodology for additional details.

Background

Part of GSA’s mission is to deliver value and savings in acquisition across the government. GSA provides centralized procurement programs for the government, offering products, services, and facilities that the government needs to serve the public. To fulfill its mission, GSA awarded and administered \$8.4 billion in internal contracts to support its own programs and operations in FY 2021. GSA’s PBS, FAS, and OAS awarded over 99.6 percent of these contracts.

PBS

PBS’s activities fall into two broad areas: workspace acquisition and property management. PBS owns or leases more than 8,300 assets and maintains an inventory of more than 365 million square feet of rentable workspace. Within this inventory, PBS maintains more than 500 buildings on or eligible for the National Register of Historic Places, provides facilities and workspaces for more than 50 federal agencies, disposes of excess or unneeded federal properties, and promotes adoption of workplace solutions and technologies. In FY 2021, PBS awarded 61 percent, approximately \$5.1 billion, of GSA’s internal contract spending to support its operations.

FAS

FAS is responsible for procuring goods and services for federal agencies and state, tribal, and local governments. Annually, FAS supplies over \$84 billion in information technology products, services, and solutions; telecommunications services; assisted acquisition services; travel and transportation management solutions; motor vehicles and fleet services; and charge card services. In addition, FAS assists federal agencies by sharing technology applications, platforms, and processes to make their services more accessible and efficient. In FY 2021, FAS awarded 32.1 percent, approximately \$2.7 billion, of GSA's internal contract spending to support its operations.

OAS

OAS provides internal support for GSA to meet its customers' needs. OAS oversees internal administrative policies, manages executive correspondence, sets travel and charge card policies, and develops workplace initiatives. In addition, OAS performs the contracting function for GSA's Staff Offices, such as the Office of the Chief Financial Officer, which support the Agency in meeting customers' needs. In FY 2021, OAS awarded 6.5 percent, approximately \$548.4 million, of GSA's internal contract spending to support its operations.

Performance-Based Acquisitions

According to Federal Acquisition Regulation (FAR) 37.1, *Services Contracts-General*, performance-based acquisition is the preferred method for acquiring services. Performance-based service contracts focus on program performance using an effective, efficient, and robust process to improve project performance outcomes. In addition, performance-based service contracts require a performance work statement (which explains the government's requirements or needs); measurable performance standards; a method of assessing contractor performance; and performance incentives, where appropriate.

Further, FAR 46.401, *General*, requires that when using a performance-based service contract, the government must develop a quality assurance surveillance plan (QASP). QASPs should be prepared with the performance work statement and specify all work requiring surveillance and the method of surveillance. Specifically, a QASP establishes responsibility and the procedures the government will use to evaluate contractor performance against performance standards to ensure contract requirements are met.

Contracting officers, or delegated contracting officer's representatives (CORs), are responsible for ensuring compliance with the terms of the contract and safeguarding the government's interests. A QASP provides contracting personnel a proactive approach to avoid unacceptable or deficient performance and provides verifiable input for required annual contractor past performance reports.

Contractor Performance Assessment Reporting System

FAR 42.15, *Contractor Performance Information*, requires government agencies to prepare a contractor past performance report on an annual basis and at contract completion for all contracts and orders that exceed the simplified acquisition threshold (currently \$250,000). Contracting personnel must enter this report into the Contractor Performance Assessment Reporting System (CPARS) for use by other government source selection officials to make future award decisions. Contracting personnel must collect current, complete, and accurate information for these reports and the narratives should accurately depict the contractor's performance. This is meant to ensure that the government only does business with companies that provide quality products and services in support of an agency's mission.

Figure 1 – CPARS Past Performance Evaluation Factors and Ratings¹

Evaluation Factors	Ratings
Technical (quality of product or service)	Exceptional
Cost control (except for firm-fixed price)	Very Good
Schedule/timeliness	Satisfactory
Management or business relations	Marginal
Small business subcontracting	Unsatisfactory
Other (as applicable)	

Contracting personnel must provide a narrative to justify the rating for each applicable evaluation factor shown in *Figure 1*. For example, to justify the highest rating of "Exceptional," the supporting narrative is required to identify multiple significant events (or one event of significant magnitude) and explain how the government benefited. To give another example, a "Satisfactory" rating requires performance to meet contractual requirements and have no significant weaknesses identified. Without significant events to justify the rating, it should decrease accordingly. The narrative that supports the rating should provide sufficient rationale to address questions about performance that may be asked by other government source selection officials. The entire CPARS evaluation process must be completed within 120 days following the end of the period of performance.

GSA's Identification of Performance-Based Service Contract Administration Weaknesses

GSA's Office of Government-wide Policy conducts procurement management reviews to assess GSA's compliance with procurement laws, regulations, and internal policies and report on best practices across the Agency. In FY 2019, these reviews began testing contract administration functions and have identified weaknesses ever since. Specific to QASPs and surveillance or inspection, these reviews found that related documentation lacked clear measures for success or failure, were often incomplete or not available at all, or included no evidence the QASP was being used to monitor contractor performance.

¹ FAR 42.1503, *Procedures*.

GSA identified Agency-wide recommendations to address issues related to performance-based service contracts. In addition, FAS, OAS, and PBS each implemented independent corrective actions:

- FAS's internal policy established the requirement for CORs to perform surveillance to monitor contractor performance and additional reporting requirements.²
- OAS conducted a COR training session on developing performance work statements and the associated QASP.
- PBS had not implemented any corrective actions specific to QASPs and surveillance or inspection prior to our audit, but planned to conduct quarterly training sessions on contract administration in FY 2022.

² Policy and Procedure 2020-03, *FAS Contracting Officer's Representative Function Standard Operating Procedure*, issued September 22, 2020.

Results

GSA contracting personnel are not administering performance-based service contracts in accordance with regulations, guidance, and internal policies. As a result, GSA is at risk of unsatisfactory contractor performance and wasted government funds.

We found that GSA contracting personnel are not always establishing or enforcing QASPs. Consequently, GSA contracting personnel are not ensuring that the government receives the services it is paying for. In addition, we found that GSA contracting personnel are not preparing justified or timely past performance reports, which may lead to future contract awards to underperforming contractors. Finally, while FAS has established an internal policy intended to improve contract administration, the policy's effectiveness could not be determined because FAS contracting personnel were not complying with the policy.

Finding 1 – GSA contracting personnel are not always establishing or enforcing QASPs. Consequently, GSA contracting personnel are not ensuring that the government receives the services it is paying for.

The FAR requires that QASPs be established for performance-based service contracts to allow contracting personnel to evaluate whether a contractor's services conform to contract requirements. Contracting personnel should use the QASP to assess the contractor's performance against established performance standards and ensure the government pays only for the level of service received. However, we found that GSA contracting personnel are not always establishing or enforcing QASPs. Consequently, GSA contracting personnel are not ensuring that the government receives the services it is paying for.

As shown in *Figure 2* on the next page, we found that GSA contracting personnel do not always establish QASPs and, if established, QASPs often lacked the FAR-required elements that are needed to assess contractor performance. In the contracts we sampled, the QASPs did not include the work requiring surveillance, the method of surveillance, measurable performance standards, and performance incentives. Further, we found that GSA contracting personnel insufficiently monitored and enforced QASPs. As a result, GSA contracting personnel are not ensuring that the government receives the quality of services it is paying for.

Figure 2 – QASP-Related Deficiencies

	FAS	OAS	PBS	GSA Total
Number of Contracts Sampled:	10	9	7	26
No QASP established	2	1	2	5
QASP did not include the work requiring surveillance or the method of surveillance	6	1	1	8
QASP did not include measurable performance standards or performance incentives	8	6	3	17
Insufficient monitoring and enforcement of QASPs	3	8	4	15

No QASP Established

Of the 26 performance-based service contracts we sampled, 5 contracts (19 percent) did not establish a QASP. FAR 37.604, *Quality assurance surveillance plans*, states that the government can either prepare the QASP or require contractors to submit a proposed QASP for the government’s consideration in development of the plan. For these five contracts, neither occurred. Without a QASP, contracting personnel do not have an objective method to evaluate contractor performance to ensure the government receives the quality of services contracted.

QASPs Did Not Include the Work Requiring Surveillance, the Method of Surveillance, Measurable Performance Standards, or Performance Incentives

For the remaining 21 sampled contracts, we found that many QASPs did not contain one or more FAR-required elements, such as the work requiring surveillance, the surveillance or monitoring methods, unique performance standards, or performance incentives. QASPs that lack these elements do not establish a basis for evaluating contractor performance and ensuring the services conform to contract requirements. Specifically:

- FAR 46.401, *General*, requires QASPs to include all work requiring surveillance (the work to be monitored) and the method of surveillance (how the work will be monitored). However, we found that 8 of the 21 sampled contracts (38 percent) with QASPs did not include the basic information needed to determine if the contractor conforms to contract requirements.
- FAR 37.601, *General*, requires performance-based contracts to include measurable performance standards (in terms of quality, timeliness, quantity, etc.) and performance incentives where appropriate. We found 17 of the 21 sampled contracts (81 percent) that established QASPs did not include measurable performance standards or incentives. As a result, the measurement to determine if the contractor’s performance met the government’s needs was not established.

Insufficient Monitoring and Enforcement of QASPs

In addition to establishing a QASP, GSA contracting personnel are responsible for monitoring and enforcing the QASP to assess the contractor's performance against established performance standards. Regular performance monitoring and reporting ensures the contractor meets the expectations set forth in the contract. FAR 46.401 requires government contract quality assurance be performed to determine that services conform to contract requirements.

We found that the COR's monitoring and enforcement of QASPs was insufficient for 15 of the 21 sampled contracts (71 percent) with an established QASP. For example, we found:

- FAS reported that it spent nearly \$16 million on two information technology contracts for FAS's systems modernization efforts from FY 2020 to FY 2021 without receiving operational systems. QASP monitoring and enforcement for both contracts were deficient because there were no performance measures for the development of the system. Instead, the performance measures applied to the operations and maintenance of implemented systems. In both cases, contractor performance issues occurred during the system development phase, rendering the QASP ineffective.
- For another FAS contract, we asked the assigned contracting personnel about their QASP monitoring and enforcement since the contractor did not meet some performance measures. The FAS contracting officer replied that "Sam.gov didn't crash while [the contractor] was managing it and that's worth significantly more than any marginal performance issue that you are finding." While system availability is an important aspect of the contractor's performance, this indicates that the other 31 established performance measures were not being assessed to ensure all contract requirements were being met.
- The COR for an OAS contract told us that they did not monitor or enforce the QASP because the performance measures were no longer effective or applicable to the contract. According to the OAS COR, GSA planned to remove the outdated performance measures when the contract was re-competed. Until new performance measures are established, the QASP provides no assurance that the government receives the services it is paying for.
- For another OAS contract, the COR told us that he checks in with the contractor daily and holds weekly meetings, but does not have separate tracking documentation to demonstrate the contractor met established performance standards. According to the COR, it would cost GSA more money to track this activity and that it is hard on both himself and the contractor.
- For a PBS contract, the COR told us that performing a separate QASP evaluation or preparing a report to document monitoring is not feasible. The COR said that this is a very large, multimillion-dollar contract and she knows everything that goes on because

of daily interactions with the contractor team. She added that there have been no complaints within GSA, which is evidence of satisfactory performance. Ultimately, the COR could not provide any documentation that the contractor met the performance requirements established in the contract.

A QASP is designed to keep the project on course, measure performance levels, and allow for adjustments as necessary. QASPs tailored to the acquisition establish clear accountability of monitoring and enforcement responsibilities among contract personnel to ensure that the contractor complies with the terms of the contract. Currently, GSA's nonexistent, weak, and unenforced QASPs result in GSA contracting personnel's inability to determine if GSA has received the services it contracted for. This is illustrated by the two FAS information technology contracts that resulted in the government paying \$16 million without receiving operable systems, putting the government at risk of misspent funds.

Generally, internal GSA guidance is not descriptive or instructive enough for contracting personnel to follow when establishing and monitoring a QASP. Neither FAS, OAS, nor PBS have a required template to ensure that all required elements are included and allow for effective enforcement.

GSA should ensure its internal policies provide appropriate oversight of performance-based acquisition planning, including the establishment of a QASP that complies with all applicable regulations. In addition, GSA should ensure its internal policies provide contracting personnel with clear, descriptive instruction on how to monitor and enforce QASPs during contract administration to ensure compliance and improve acquisition outcomes.

Finding 2 – GSA contracting personnel are not preparing justified or timely past performance reports, which could result in the government awarding future contracts to underperforming contractors.

GSA's past performance reports for its contractors are often unjustified and untimely. We found that the CPARS ratings we reviewed are not justified by the narrative or do not accurately reflect the contractor's performance. In addition, there is no assurance that CPARS ratings entered by GSA contracting personnel are informed by QASP monitoring and enforcement efforts or completed before the required deadline. Since other government source selection officials may rely on these past performance reports when awarding future contracts, inaccurate and untimely reports could result in future government contract awards to underperforming contractors. *Figure 3* on the next page shows the summary of deficiencies associated with the CPARS reports we reviewed.

Figure 3 – Deficiencies Associated with CPARS Reports

	FAS	OAS	PBS	GSA Total	Percentage of Deficiency
Number of Contracts Sampled:	10	9	7	26	-
CPARS ratings are not justified	2	4	2	8	31%
No assurance that CPARS reports are informed by QASP monitoring and enforcement	8	8	7	23	88%
No assurance that CPARS reports are completed before the required deadline	4	4	2	10	38%

CPARS Ratings Are Not Justified

In accordance with FAR 42.1503, *Procedures*, GSA contracting personnel are required to prepare clear, relevant past performance reports that accurately depict the contractor’s performance based on objective facts supported by program and contract performance data. Contracting personnel must also provide narrative support to justify the rating for each applicable evaluation factor. For example, to justify the highest CPARS rating of “Exceptional,” the supporting narrative is required to identify multiple significant events (or one event of significant magnitude) and explain how the government benefited. To implement this FAR guidance, PBS, FAS, and OAS have implemented internal policy requiring justification for CPARS ratings.³

However, we found that GSA’s CPARS ratings are not justified with supporting narratives for 8 of 26 sampled contracts (31 percent), as discussed below:

- Although FAR 42.1503 and internal OAS and PBS policies require contracting personnel to justify CPARS ratings with supporting narratives, we found that OAS and PBS contracting personnel did not do so for six of the contracts we reviewed. For example, an OAS contractor received CPARS ratings of “Exceptional” in four of five evaluation factors; however, the supporting narratives did not identify any significant events or benefits to the government for the stated rating.
- While FAR 42.1503 and internal FAS policy require contracting personnel to accurately depict the contractor’s performance, our review of two FAS contracts found that FAS contracting personnel did not do so. For example, one of the two FAS information technology contractors, mentioned in *Finding 1* for not providing the contracted operational system, received CPARS ratings of “Very Good” for three of the four evaluation factors. While the supporting narratives justify the CPARS ratings, they

³ Operational Notice 17-002, *Requirements and procedures for appointment of COR on OIA contracts*, issued April 19, 2017; Policy and Procedure 2020-03, *FAS Contracting Officer’s Representative Function Standard Operating Procedures*, issued September 22, 2020; and Procurement Instructional Bulletin 17-04, *Contractor Performance Information*, issued February 27, 2017.

omitted that the contractor failed to deliver the contracted operational system to FAS and that FAS ultimately suspended the project. This inoperable system cost GSA \$10 million. The failure to accurately depict the contractor's performance through the CPARS ratings could result in this underperforming contractor being awarded another large systems contract, placing significant government funding at risk of being wasted.

In addition, the other FAS information technology contractor received CPARS ratings of "Exceptional" for two of the four evaluation factors. While the supporting narratives justify the ratings, the COR's evaluations in the *Quarterly COR Reports* gave the contractor a lesser rating of "Very Good" for all evaluation factors. Although *Quarterly COR Reports* are not available for the entire period of performance covered in the CPARS report, the higher CPARS ratings are not fully justified based on the available contract documentation.

No Assurance That CPARS Ratings Are Informed by QASP Monitoring and Enforcement

GSA has no assurance that CPARS ratings are informed by its contracting personnel's QASP monitoring and enforcement for 23 of the 26 sampled contracts (88 percent). GSA's *Steps to Performance-Based Acquisition* differentiates between regular performance management reviews (i.e., through QASP monitoring and enforcement) and annual past performance reporting (i.e., annual CPARS ratings). However, it establishes a connection between the two, stating that in well-managed contracts, continual feedback and adjustment through performance management reviews should result in no surprises during annual past performance reporting.

As discussed in *Finding 1*, we found that GSA contracting personnel are not establishing or enforcing QASPs, which means they cannot inform CPARS ratings. Instead, CORs base CPARS ratings on recurring meetings and contractor status reports, which are not a substitute for assessing the contractors' performance against measurable performance standards to ensure that the services provided conform to the contract requirements.

No Assurance That CPARS Reports Are Completed Before the Required Deadline

We found that for 10 of the 26 sampled contracts (38 percent), GSA contracting personnel did not complete the CPARS report within 120 days of the end of the period of performance, as required by the FAR.⁴ The delay for 8 of the 10 contracts (80 percent) was caused by the untimely completion of GSA contracting personnel's portion of the CPARS report, including three OAS contracts that were more than 100 days past due. Despite clear guidance establishing the deadline for completion, GSA contracting personnel did not adhere to it.

⁴ FAR 42.1502(a), *Policy*, requires agencies to enter past performance information into CPARS. According to CPARS guidance, *Guidance for the Contractor Performance Assessment Reporting System*, dated May 2021, evaluations should be completed no later than 120 days following the end of the period of performance.

In summary, GSA contracting personnel are not complying with regulations, guidance, and internal policies related to contractor past performance reports. Since other government source selection officials may rely on these past performance reports when awarding future contracts, inaccurate and untimely reports could result in wasted government funds if underperforming contractors are awarded future contracts. GSA should ensure CPARS assessments are supported by justification narratives, accurately depict contractor performance, and are timely.

Finding 3 – FAS contracting personnel did not comply with an internal policy intended to improve contract administration; therefore, its effectiveness cannot be determined.

FAS established *Contracting Officer's Representative (COR) Standard Operating Procedures* in September 2020, intending to improve contract administration; however, FAS contracting personnel did not fully comply with the policy's additional requirements to complete *Quarterly COR Reports* and *COR Annual Assessment Reports*.⁵ As a result, we are unable to determine the policy's effectiveness or recommend that GSA adopt it as a best practice Agency-wide.

For example, the FAS policy states that CORs provide a *Quarterly COR Report* with contractor performance updates to contracting officers. CORs are to use a provided template that aligns with CPARS evaluation factors and definitions established by the FAR. We found that the FAS CORs for 8 of 10 sampled FAS contracts (80 percent) did not complete the required *Quarterly COR Reports*.

In addition, the FAS policy states that contracting officers are responsible for ensuring documentation is properly filed in the contract file through conducting an annual COR documentation review and completing a *COR Annual Assessment Report*. As part of the *COR Annual Assessment Report*, the contracting officer is to assess the overall adequacy of the COR's documentation and monitoring of contractor performance. We found that the FAS contracting officers for 2 of 10 sampled FAS contracts (20 percent) did not conduct this required annual assessment.⁶

When we asked FAS contracting officers and CORs why these reports were not completed, they told us that they were unaware of the requirement, the workload is too voluminous to conduct quarterly reviews, and that the policy did not apply to existing contracts.

Ultimately, FAS contracting personnel are not adhering to this internal policy and FAS management is not monitoring for compliance. FAS should implement management oversight to ensure contracting personnel comply with its policies and procedures, which are intended to ensure sufficient government oversight of contractor performance.

⁵ Policy and Procedure 2020-03, *FAS Contracting Officer's Representative Function Standard Operating Procedures*, issued September 22, 2020.

⁶ The annual assessments for an additional six contracts were due after the end of our audit scope; therefore, we could not test them for compliance.

Conclusion

GSA contracting personnel are not administering performance-based service contracts in accordance with regulations, guidance, and internal policies. As a result, GSA is at risk of unsatisfactory contractor performance and wasted government funds.

We found that GSA contracting personnel are not always establishing or enforcing QASPs. Consequently, GSA contracting personnel are not ensuring that the government receives the services it is paying for. In addition, we found that GSA contracting personnel are not preparing justified or timely past performance reports, which may lead to future contract awards to underperforming contractors. Finally, while FAS has established an internal policy intended to improve contract administration, the policy's effectiveness could not be determined because FAS contracting personnel were not complying with the policy.

Recommendations

We recommend that the GSA Administrator, through the FAS and PBS Commissioners, and the Assistant Administrator for the OAS:

1. Revise or issue Agency policy to ensure:
 - a. The appropriate oversight of acquisition planning activities for performance-based service contracts, including the creation of a QASP that complies with applicable regulations; and
 - b. Contracting personnel have clear, descriptive instruction on how to monitor and enforce QASPs during contract administration to ensure compliance and improve acquisition outcomes.
2. Require contracting personnel to complete refresher training on any revised policies and new training on any policies issued in response to this audit report.
3. Ensure Contractor Performance Assessment Reporting System assessments are supported by justification narratives, accurately depict contractor performance, and are timely.
4. Implement management oversight to ensure contracting personnel comply with policies and procedures intended to ensure sufficient government oversight of contractor performance.

GSA Comments

GSA agreed with our findings and recommendations. GSA's written comments are included in their entirety in **Appendix B**.

Audit Team

This audit was managed out of the Mid-Atlantic Region Audit Office and conducted by the individuals listed below:

Thomas Tripple	Regional Inspector General for Auditing
Susan Klein	Audit Manager
Young Choi	Auditor-In-Charge
Michelle Luna	Auditor
Carla Humphrey	Management Analyst

Appendix A – Objectives, Scope, and Methodology

Objectives

Our audit objectives were to: (1) determine whether GSA administers performance-based service contracts in accordance with regulations, guidance, and internal policies to evaluate contractor performance and ensure conformance with contract requirements; and (2) determine if performance-based contract administration functions vary across GSA and identify best practices, as applicable.

Scope and Methodology

We sampled FAS, OAS, and PBS contract administration activities for performance-based service contracts that were active during FY 2021. The scope of the audit was limited to GSA-funded contracts that were awarded by GSA. We conducted our fieldwork from February through September 2022.

To accomplish our objectives, we:

- Interviewed leadership from FAS, OAS, PBS, and GSA’s Office of Government-wide Policy to understand contract administration activities;
- Reviewed the FAR; GSA Acquisition Manual; and FAS, OAS, and PBS internal policies related to the following contract administration activities: contract file documentation; QASP development, enforcement, and monitoring; and CPARS evaluations;
- Analyzed the identified criteria to assess internal controls related to QASP and CPARS evaluation to identify any gaps or best practices between FAS, OAS, and PBS;
- Reviewed prior audit reports to identify significant issues that may affect the audit objectives;
- Analyzed Federal Procurement Data System-Next Generation (FPDS-NG) contract data for active GSA contracts during FY 2021 to understand GSA’s spending trends, determine the scope of the audit, and make sample selections;
- Selected a judgmental sample of 26 contracts to test the administration of performance-based service contracts in accordance with regulations, guidance, and internal policies to evaluate contractor performance; and
- Took the following actions for sampled contracts:
 - Obtained contract file documentation relevant to our audit objectives;
 - Reviewed contract information in FPDS-NG to verify whether the contract is a performance-based contract;
 - Reviewed QASP monitoring and enforcement documentation;
 - Conducted interviews, as needed, with contracting officers and CORs from FAS, OAS, and PBS; and
 - Reviewed CPARS reports for the sampled contracts.

Data Reliability

We assessed the reliability of contract data from FPDS-NG for GSA contracts that were active during FY 2021. GSA's Office of Government-wide policy queried the data based on our audit scope. We reviewed the GSA Senior Procurement Executive's annual certifications related to the completeness and accuracy of GSA's FPDS-NG data for FY 2019 and FY 2020 and interviewed Agency personnel. In addition, we reviewed GSA Office of Inspector General (GSA OIG) audits required by the Digital Accountability and Transparency Act of 2014 (DATA Act) that assessed the completeness, accuracy, timeliness, and quality of FPDS-NG data.⁷ Based on this, we determined that the data was sufficiently reliable for the purposes of this audit.

Sampling

To prepare our audit sample, we used FPDS-NG to identify a universe of 47,561 GSA-funded-and-awarded contracts that were active in FY 2021. We narrowed our focus to the GSA's three largest contracting offices: FAS, OAS, and PBS. We excluded contracts for products, commodities, or services that are exclusive to one contracting office (i.e., construction, repair and alteration of buildings, and janitorial services). From the remaining contracts, we focused on performance-based contracts with the highest dollar value and selected a judgmental sample of 26 contracts (10 FAS contracts, 9 OAS contracts, and 7 PBS contracts). Our sample design did not include sample sizes that would allow for projection to the population; however, it allowed us to sufficiently address our audit objectives.

Internal Controls

We assessed internal controls significant within the context of our audit objectives against GAO-14-704G, *Standards for Internal Control in the Federal Government*. The methodology above describes the scope of our assessment and the report findings include any internal control deficiencies we identified. Our assessment is not intended to provide assurance on GSA's internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

Compliance Statement

We conducted the audit between June 2021 and September 2022 in accordance with 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 based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

⁷ GSA OIG Report Number A190040/B/R/F20001, *Audit of the Completeness, Accuracy, Timeliness, and Quality of GSA's 2019 DATA Act Submission*, dated November 1, 2019; and GSA OIG Report Number A210023/B/R/F22001, *Audit of the Completeness, Accuracy, Timeliness, and Quality of GSA's 2021 DATA Act Submission*, dated November 8, 2021.

Appendix B – GSA Comments

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Office of Government-wide Policy

January 17, 2023

MEMORANDUM FOR THOMAS TRIPPLE
REGIONAL INSPECTOR GENERAL FOR AUDITING
MID-ATLANTIC REGION AUDIT OFFICE (JA-3)

FROM: KRYSTAL BRUMFIELD
ASSOCIATE ADMINISTRATOR
OFFICE OF GOVERNMENTWIDE POLICY (M)

A handwritten signature in blue ink, appearing to be "KJB", enclosed in a blue rectangular box. The box has "DS" written in the top right corner.

SUBJECT: Response to Draft Report: GSA's Administration of
Performance-Based Contracts Puts the Government at Risk of
Unsatisfactory Contractor Performance and Wasted Funds
(A210064)

Thank you for the opportunity to review the Office of Inspector General draft audit report: *GSA's Administration of Performance-Based Contracts Puts the Government at Risk of Unsatisfactory Contractor Performance and Wasted Funds* (A210064). GSA concurs with the findings and recommendations.

We agree more must be done to improve in these areas and such work is already underway. Accordingly, GSA is developing a plan to address all recommendations and will document these in a Corrective Action Plan.

If you have any questions or concerns, please contact Mr. David Kimbro, Procurement Management Review Division at david.kimbrow@gsa.gov.

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Appendix C – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (Q)

Deputy Commissioner (Q1)

Deputy Commissioner TTS (Q2)

Chief of Staff (Q0A)

Commissioner (P)

Deputy Commissioner (PD)

Chief of Staff (PB)

Deputy Chief of Staff (PB)

Assistant Commissioner for Strategy & Engagement (PS)

Chief Administrative Services Officer (H)

Chief of Staff (H)

Associate Administrator (M)

Acting Principal Deputy Associate Administrator (M1)

Chief of Staff (M1)

Chief Financial Officer (B)

Deputy Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Program Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)