



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

Audit of Price Evaluations and Negotiations for Schedule 70 Contracts

*Report Number A150022/Q/T/P16005
September 28, 2016*



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U.S. General Services Administration

REPORT ABSTRACT

OBJECTIVE

To determine if the price evaluation and negotiation of Schedule 70 contracts and options awarded under the Office of IT Schedule Programs comply with federal regulations and policies.

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Information Technology
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WHAT WE FOUND

We identified the following during our audit:

Finding 1 – When awarding base contracts and options for extensions, Schedule 70 contracting personnel did not consistently conduct negotiations to obtain the best price possible.

Finding 2 – Schedule 70 contracting personnel did not consistently maintain award documentation in accordance with federal regulation and FAS policy.

Finding 3 – A Schedule 70 contracting officer exercised an option that extended the contract beyond its 20-year limit.

WHAT WE RECOMMEND

Based on our audit findings, we recommend that the FAS Commissioner:

1. Clearly define the responsibilities of contracting officers relative to price negotiation at the time of base contract award and when exercising contract options for extensions.
2. Develop and issue guidance on holding negotiations at the time of contract award.
3. Develop and implement a risk-based approach for negotiating options for contract extensions.
4. Develop and implement a methodology to conduct periodic reviews of active schedule contract files to determine whether the files contain all required documentation necessary to effectively administer the contracts and comply with the Federal Acquisition Regulation and FAS policy.
5. Ensure that the contract documents that were not present in the official contract file during the audit have been added.
6. Ensure that the period of performance error identified during the audit has been remedied.

GSA COMMENTS

The FAS Commissioner acknowledged the audit report findings and recommendations. GSA's written comments to the draft report are included in their entirety as **Appendix B**.

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Introduction

The Federal Acquisition Service's (FAS) Multiple Award Schedules (MAS) Program provides customer agencies with access to more than 25 million commercial products and services under 34 different schedules. Contracts awarded under each schedule include pre-negotiated prices, delivery terms, warranties, and other terms and conditions intended to streamline the acquisition process. Schedule contracts are indefinite delivery, indefinite quantity and are typically awarded with a 5-year base period, and three 5-year option extensions, totaling 20 years.

The MAS Program is authorized by two statutes: Title III of the *Federal Property and Administrative Services Act of 1949* and Title 40, U.S.C. 501, *Services for Executive Agencies*. MAS Program acquisitions are governed by regulatory guidance established within the Federal Acquisition Regulation (FAR), as well as the GSA Acquisition Regulation and internal FAS policies and guidance.

The intent of the MAS Program is to leverage the government's buying power in an effort to provide customer agencies with competitive, market-based pricing. The *Competition in Contracting Act of 1984*, Public Law 98-369, provides that orders placed under GSA's MAS Program meet competition requirements as long as they result in the lowest overall cost alternative to meet the government's needs. To enable ordering agencies to meet this requirement, GSA's negotiation policy is to obtain the best price granted to the contractor's most favored commercial customer under the premise that the commercial marketplace establishes best pricing.

FAR 15.4, *Contract Pricing*, outlines the methodology for contracting officers to establish price reasonableness. This methodology includes price analysis and/or cost analysis depending upon the specifics of the proposal. FAR 8.4, *Federal Supply Schedules*, outlines procedures for government agencies to place orders against schedule contracts and provides that GSA has already determined prices under these contracts to be fair and reasonable using price and/or cost analysis.

FAS's General Purpose Commercial Information Technology Equipment, Software, and Services schedule (Schedule 70) offers information technology products and services. According to FAS, Schedule 70 is the largest acquisition vehicle in the federal government. In fiscal year (FY) 2014, Schedule 70 had 4,587 contracts in effect. These contracts were awarded and administered by 131 contracting personnel located across the country. Schedule 70 sales for FY 2014 totaled over \$14 billion, representing more than 40 percent of total MAS Program sales.

Schedule 70 offers its products and services to federal customer agencies, as well as state, local, and tribal governments through FAS's Cooperative Purchasing Program.¹

¹ The Cooperative Purchasing Program allows state, local, and tribal governments to purchase information technology products and services from Schedule 70, and security and law enforcement products and services from Schedule 84, at any time, for any reason, using any funds available.

These offerings are available under 26 Special Item Numbers organized into 12 solutions, which are unique combinations of goods and services categorized along the federal government's information technology (IT) needs. The solutions offered under Schedule 70 are detailed in *Table 1* below.

Table 1 – Schedule 70 Solutions

Solution	Description
Cloud Information Technology Services	Provides network access to a shared pool of configurable computing resources such as servers, networks, storage, applications, and services.
Computer and Networking Hardware	Includes: (1) Cloud Email as a Service, email access from anywhere while maintaining security and reducing maintenance and infrastructure costs; (2) Cloud Infrastructure as a Service, the storage of data on the cloud rather than on servers; (3) Cloud Software as a Service, access to software and applications from anywhere; and (4) Cloud Platform as a Service, the development of agencies' applications in the cloud which includes security services and database management.
Cyber Security	Includes products, software, and services for identity management, information assurance, and anti-virus support.
Data Centers and Storage	Offered to meet data center needs, including consolidation, computer and network systems integration, analysis, and design.
Information Technology Mandates and Initiatives	Offered to assist agencies in meeting government IT mandates and Presidential initiatives.
Satellite Services	Includes commercial satellite communications for disaster recovery, military, and emergency response teams.
SmartBuy: Commercial Software Solutions	Includes software, software maintenance, and professional IT services.
Software and Applications	Includes software and accompanying services provided through licensing agreements or as a service in the cloud.
Sustainability	Addresses areas such as power management, power usage effectiveness, data center infrastructure efficiency, and green IT products/material recycling.
Systems Life Cycles Integration	Offered to assist agencies meet mission critical systems life cycle and integration requirements.
Telecommunications, Wireless, and Mobility	Offers wireless solutions including voice services, wireless broadband, data services, cellular broadband services, and cell phones.

Telepresence	Includes virtual meetings, life-sized displays, high-speed connections, high-definition video, and directional audio.
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Objective

The objective of our audit was to determine if the price evaluation and negotiation of Schedule 70 contracts and options awarded under the Office of IT Schedule Programs comply with federal regulations and policies.

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

Results

Price negotiation is a key tool contracting officers can use to ensure the government obtains the best possible price. However, our audit found that FAS Schedule 70 contracting officers did not consistently conduct negotiations with schedule contractors when awarding base contracts or options for extensions. In addition, we identified contract files that were missing key negotiation and price analysis documentation necessary for contract administration. We also noted an instance in which a contracting officer awarded an option for an extension that extended the contract beyond its 20-year limit.

Finding 1 – When awarding base contracts and options for extensions, Schedule 70 contracting personnel did not consistently conduct negotiations to obtain the best price possible.

FAS contracting officers did not always conduct negotiations with schedule contractors to obtain better contract prices, terms, or conditions when awarding base contracts or options for extensions. The MAS Program achieves competitive pricing by providing the lowest overall cost alternative to meet the government's needs. By not consistently negotiating for the lowest price, FAS contracting officers may not always realize this key pricing objective and the associated savings to the taxpayer. The MAS Desk Reference manual lists negotiations as a step in the process in order to leverage the government's buying power.

During audit fieldwork, we reviewed a risk-based judgmental sample of five base contracts and five contract extensions for IT products and services awarded under Schedule 70 in FY 2014. We selected our sample based on sales volume. The sampled contracts totaled over \$7.2 billion in sales over their contract periods, with over \$350 million in 2014 alone. While reviewing these contracts, we identified two instances in which the contracting officer did not engage the contractor in price negotiations as discussed below:

- On one base contract award, the contracting officer did not negotiate for better pricing because she determined that the pricing offered was lower than the prices offered to the contractor's most favored customer. The contracting officer indicated that she would not negotiate if a contractor's commercial sales practices disclosure indicated that GSA was getting the best discount.
- One contract option extension was not negotiated. This contract had an estimated value of approximately \$40 million for the upcoming 5-year option period.

However, holding negotiations can lead to better pricing and help to ensure the government is getting the lowest prices possible. For example, on the remaining four base contracts reviewed, the contracting officer was able to negotiate greater discounts or more favorable contract terms than originally proposed by the contractor for three of

the contracts. In one contract, the contracting officer negotiated a volume discount of 2 percent on orders over \$500,000. For the other two contracts, the contracting officers were able to negotiate price discounts ranging from an additional 2 to 12 percent.

In addition, on the remaining four option extensions reviewed, the responsible contracting officer was able to negotiate greater discounts or more favorable contract terms for two of the contract options. For one of these options with an estimated value of over \$1.2 billion, the negotiations resulted in a 7 percent discount from the contractor's proposed labor rates and a 0.23 percent reduction in the escalation rate for the upcoming option period. The cost savings as a result of these discounts was conservatively estimated at \$36.3 million. For the other negotiated option extension, the contracting officer was able to achieve a volume discount of 1 percent on a contract that had over \$700 million in sales.

Our discussions with contracting officers further illustrated inconsistent price negotiation practices when awarding options to extend a contract. Of the ten we interviewed, two stated that they had a regular practice of conducting price negotiations at the time of option extension and the remaining eight informed us that they conduct negotiations for option extensions only under certain circumstances. These circumstances include, but are not limited to, when products are added, when the basis of award customer has changed, and when the contract has a large amount of sales. Inconsistent negotiating practices among contracting personnel indicates a lack of clear policy and places the government at risk of paying higher prices for products and services under the MAS Program.

Federal regulation and internal FAS policy repeatedly refer to negotiations and their importance in contracting, both at the time of contract award and at the time of option extension. FAR 15.405, *Price Negotiation*, states "The purpose of performing cost or price analysis is to develop a negotiation position that permits the contracting officer and the offeror an opportunity to reach an agreement on a fair and reasonable price." FAR 15.406, *Documentation*, goes on to state that "The contracting officer shall establish prenegotiation objectives before the negotiation of any pricing action." FAS guidance requires the use of specific templates to consistently document negotiation objectives and results.² For options of contract extensions, FAS guidance refers to negotiating contract prices, terms, and conditions if they are not current.³ However, none of these clearly and expressly require negotiations to take place.

Contracting personnel may have incentive to forego price negotiations in order to meet performance evaluation goals. The performance plan for Schedule 70 contract specialists and contracting officers includes performance metrics for timeliness of completing contracting actions, including contract award and option extensions. The performance plan does not contain metrics related to negotiating discounts or other

² FAS Instructional Letter 2011-02, *Mandating the Use of Pre-Negotiation, Price Negotiation and Final Proposal Revision Templates for the Federal Supply Schedules Program*.

³ FAS Instructional Letter 2012-06, *Exercising the Option to Extend the Term of a Federal Supply Schedule (FSS) Contract*.

terms or conditions favorable to the government when awarding contracts and option extensions.

FAR 8.404, *Use of Federal Supply Schedules*, states that prices of supplies and services under MAS contracts are fair and reasonable. Negotiations, while not expressly required by regulation or policy, are a key tool contracting officers can use to ensure that the government obtains the best price. For the awards and options for contract extensions we reviewed, we identified instances in which negotiations resulted in greater discounts and more favorable contract terms for customer agencies worth millions of dollars in potential cost savings. These instances highlight the value of negotiations, even on existing contracts for which pricing was previously determined to be fair and reasonable.

In order to establish fair and reasonable pricing and ensure that customer agencies are receiving the best price, contracting officers should consistently engage contractors in price negotiations when awarding contracts. They should also consider negotiating again at the time of option extensions for those contracts that have greater activity or higher sales volume to help mitigate risk to the government.

Recommendations

We recommend that the Commissioner of FAS:

1. Clearly define the responsibilities of contracting officers relative to price negotiation at the time of base contract award and when exercising contract options for extensions.
2. Develop and issue guidance on holding negotiations at the time of contract award.
3. Develop and implement a risk-based approach for negotiating options for contract extensions.

GSA Comments

The Commissioner of FAS acknowledged our finding and recommendations. GSA's written comments to the draft report are included in their entirety as **Appendix B**.

Finding 2 – Schedule 70 contracting personnel did not consistently maintain award documentation in accordance with federal regulation and FAS policy.

Contract files we reviewed were missing key price analysis and negotiation documentation. In some instances, this contract documentation was maintained outside the Electronic Contract File, which is the official file of record. FAR 4.8, *Government Contract Files*, provides that the contract file should contain the records of all contractual actions documenting the basis for the acquisition, the award, and any subsequent actions taken by the contracting office. FAS guidance details the

information that must be present when documenting price analysis and negotiation.⁴ When these documents and related information are not included or easily accessible in the official contract file, the contracting officer's actions and the contract history may not be fully documented. This could possibly affect negotiations and the future administration of the contract.

During audit fieldwork, we reviewed a judgmental sample of ten contract files – five for new contract awards and five for contract option extensions. For three of the contract files reviewed, contracting personnel failed to file the pre-negotiation and/or price negotiation memoranda in the official file, as required by FAR 4.8. However, in all of these cases, contracting personnel were eventually able to locate the missing memoranda outside the official file.

In addition, three contract files were missing key information or signatures on price analysis and negotiation documentation outlined in FAS Instructional Letters 2011-02 and 2011-15, *Revision of the Acquisition Quality Measurement and Improvement Program*. These instructional letters provide templates to ensure necessary information is included in the pre-negotiation and price negotiation memoranda and the pre-negotiation clearance panel checklists. These three contract files were missing information such as identification of the government negotiator in the price negotiation memorandum, technical evaluations in the pre-negotiation memorandum, and required signatures on a subcontracting plan.

It is critically important to maintain complete and logically organized contract files in light of the frequent turnover of contracting personnel. In fact, for six of the ten contracts we reviewed, the contracting officer who performed the contracting action (contract award or option extension) in FY 2014 was no longer assigned to the contract as of October 2015. Two of the six contracting officers who inherited the contracts were unable to answer questions related to pricing and negotiations of the contracting action due to missing and/or unorganized contract file documentation. In one case, the contracting officer could not determine if price negotiations were ever conducted or identify the pricing terms that resulted from the option extension. Contract file documentation issues can negatively affect negotiations and contract administration over the life of the contract.

Recommendations

We recommend that the Commissioner of FAS:

4. Develop and implement a methodology to conduct periodic reviews of active schedule contract files to determine whether the files contain all required documentation necessary to effectively administer the contracts and comply with the Federal Acquisition Regulation and FAS policy.

⁴ FAS Instructional Letter 2011-02, *Mandating the Use of Pre-Negotiation, Price Negotiation and Final Proposal Revision Templates for the Federal Supply Schedules Program*.

5. Ensure that the contract documents that were not present in the official contract file during the audit have been added.

GSA Comments

The Commissioner of FAS acknowledged our finding and recommendations. GSA's written comments to the draft report are included in their entirety as **Appendix B**.

Finding 3 – A Schedule 70 contracting officer exercised an option that extended the contract beyond its 20-year limit.

During our audit, we noted an instance in which a contracting officer issued two contract modifications to temporarily extend a contract's period of performance while negotiating the contract's option extension. These temporary contract extensions were for an additional 10 months; however, the contracting officer failed to deduct those 10 months from the contract's period of performance once the option was awarded. FAS Instructional Letter 2011-11, *Temporary Extensions of Federal Supply Schedules (FSS)*, states that temporary extensions do not add to a contract's total period of performance, and that the temporary extension is subtracted from the period of performance of the next 5-year option period. When we brought this matter to the contracting officer's attention, she acknowledged the error and noted her intent to fix it.

Recommendation

We recommend that the Commissioner of FAS:

6. Ensure that the period of performance error identified during the audit has been remedied.

GSA Comments

In his response to our finding and recommendation, the Commissioner of FAS asserted that the contract referenced in *Finding 3* was not extended beyond the 20-year limit. GSA's written comments to the draft report are included in their entirety as **Appendix B**.

Office of Audits' Response

FAS provided additional documentation to support their comments relating to this finding. Specifically, they provided a screenshot from an internal procurement system showing the correct contract period (*i.e.*, one not extending the contract beyond the 20-year limit) for the subject contract. However, the signed modification extending the contract option does not reflect the same contract period and remains incorrect. Therefore, we reaffirm our finding and recommendation.

Conclusion

We identified instances in which Schedule 70 contracting officers did not conduct negotiations with schedule contractors when awarding base contracts or options for extensions. Although conducting price negotiations prior to awarding a new contract or option extension is not required by federal regulation, negotiations are a key tool contracting officers can use to ensure the government is receiving the most competitive prices possible. Additional discounts and savings can be achieved through price negotiation even if initial offers are deemed to be fair and reasonable, resulting in savings to the taxpayer.

We also identified contract files that were missing key negotiation and price analysis documentation. In some cases, we found that documentation was being housed outside of the Electronic Contract File. However, the official contract file should contain the records of all contractual actions documenting the basis for the acquisition, the award, and any subsequent actions taken by the contracting office. Missing or inaccessible documentation can have a negative effect on negotiations and administration of the contract, particularly in cases where contracts are turned over to different contracting personnel.

Last, we also noted an instance in which a contracting officer did not state the correct contract term when awarding an option extension due to prior temporary contract extensions. Temporary extensions do not add to a contract's period of performance, and schedule contracts are not permitted to exceed 20 years.

Appendix A – Purpose, Scope, and Methodology

Purpose

This audit was included in the GSA Office of Inspector General's (OIG) *Fiscal Year (FY) 2015 Audit Plan*.

Scope and Methodology

The audit scope was limited to a judgmental sample of ten FY 2014 contracting actions within Schedule 70 – five new awards and five option extensions. Our sample selection was based on sales volume and chosen in order to evaluate risk and obtain a general representation of Schedule 70 contracting activities.

To accomplish our objective, we:

- Reviewed the FAR and FAS policies and guidance pertaining to contract pricing, contract file documentation, and negotiations;
- Interviewed Schedule 70 management and contracting personnel regarding the Office of IT Schedule Programs and Schedule 70 procedures and contract file documentation;
- Reviewed FAS guidance on temporary contract extensions;
- Obtained the official contract file for all contracts in the sample and reviewed documents related to the most recent award or option period; and
- Obtained a universe of all FY 2014 contracts and developed a risk-based judgmental sample based on contract sales and varying contracting officers. Our sample consisted of ten contracts, both new award and option extensions, totaling over \$7.2 billion in sales over the contract periods.

We conducted the audit between October 2014 and October 2015 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 objective.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objective of the audit. Identified internal control issues are discussed in the Results section of this report.

Appendix B – GSA Comments



GSA Federal Acquisition Service

September 9, 2016

MEMORANDUM FOR: Brian J. Gibson
Associate Deputy Assistant Inspector General
Auditing Acquisition and Information Technology Audit Office
(JA-T)

FROM: Thomas A. Sharpe, Jr. *TAS 9/9/2016*
Commissioner
Federal Acquisition Service (Q)

THRU: Kay T. Ely
Deputy Assistant Commissioner
Integrated Technology Services (QT)
Federal Acquisition Service

SUBJECT: Office of Inspector General (OIG) Draft Report A150022-
Audit of Price Evaluations and Negotiations for IT Schedule 70
Contracts

Executive Summary:

Provided is the Office of IT Schedule Programs' (hereafter referred to as IT Schedule 70) response to the Draft Report A150022, "Audit of Price Evaluations and Negotiations for IT Schedule 70 Contracts", including both general observations and responses to specific findings related to Federal Supply Schedule (FSS) contracts managed by IT Schedule 70.

The auditors reviewed a total of 10 out of 4,525 active contracts. Of the 10 contracts reviewed, 4 were found to be compliant with the Contract Tab Advisory Guide (CTAG), and 6 were missing information/documents. It is our position that even one contract file missing information/documents is not acceptable. Thus, the 6 contracts have been identified and remedial action has been taken to replace, reconstruct and sign the affected documents.

With regard to pricing, the pricing tools and processes deployed since 2012 have significantly changed the landscape of the Multiple Award Schedule (MAS) pricing operating model. Additionally, more tools such as the Formatted Product Tool (FPT) and the pilot launch of the Transactional Data Rule (TDR) will continue to mature the MAS pricing model.

Continual and Just-In-Time Acquisition Training has been the key to more successful pricing outcomes on IT Schedule 70 contracts. Additionally, a full-time Training Coordinator was hired to establish and conduct regularly scheduled and specialized training specifically for the acquisition staff.

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Appendix B – GSA Comments (cont.)

Based on the report's recommendations, IT Schedule 70 will develop an action plan pertaining to the training of the contracting staff to address the noted areas and improve consistency within the organization.

Management Response:

Finding 1 – When awarding base contracts and options for extensions, Schedule 70 contracting personnel did not consistently conduct negotiations to obtain the best price possible.

Contract negotiation is key and is already an integral component of the MAS Program. The contracting staff negotiates pricing based on policy as outlined in GSAM 538.2, Establishing and Administering Federal Supply Schedules, where it dictates that "the Government will seek to obtain the offeror's best price (e.g., the best price given to the most favored customer)." With regard to ever-changing IT market conditions, the program has made significant strides in the last four years to address the objective of obtaining the best and most competitive price.

Changes over the past several years have provided the contracting staff various price comparison tools to assist them in negotiations and price reasonableness determinations. For example, as part of the MAS Transformation initiative, IT Schedule 70 took part in the Competitive Pricing Initiative (CPI), where existing vendor prices were analyzed based solely on commercial market prices. Competitive price analysis means GSA will also be moving toward a horizontal model that analyzes prices in comparison to market prices, including Schedule prices, for the same items as opposed to the traditional vertical pricing model. As a result of IT Schedule 70's participation in CPI, pricing for 3,374 items were reduced to meet the competitive thresholds established by the initiative.

IT Schedule 70 contracting staff is required to employ various market analysis tools (e.g., Price Point, GSA Advantage!, and Contract Awarded Labor Category (CALC)) depending on the proposed products or services being reviewed. Further, IT Schedule 70 updated its Desk Guide and templates (2015/2016) which emphasize the requirement to perform a price analysis on each offer. IT Schedule 70 is also instituting annual negotiation and price analysis training to assist the contracting staff in overall process improvement standards.

With respect to price analysis for option periods, in accordance with FAR 17.2, GSAM 517.2, Instructional Letter (IL) 2010-04 and the IT Schedule 70 Desk Guide, when exercising an option, it is the government's unilateral right to extend the term of the contract, and that option modifications should be separate from other bilateral modification actions. As such, the contracting staff is encouraged to conduct any price adjustments and modify contracts with proposed changes prior to exercising an option. At the time of price adjustments, the contracting staff utilizes various price analysis techniques, stated previously, and employs horizontal and vertical price evaluations to ensure fair and reasonable price determinations are made.

Appendix B – GSA Comments (cont.)

Finding 2 – Schedule 70 contracting personnel did not consistently maintain award documentation in accordance with federal regulation and FAS policy.

Process improvement is a continuous effort by IT Schedule 70 to ensure contract compliance and to set the bar for an overall high standard of excellence. The contracting staff is required to file contract documents in accordance with the Contract Tab Advisory Guide (CTAG) per FAS guidance. As mentioned prior, this was not achieved in six (6) of the contracts that were reviewed. In those instances where files were missing or misfiled, or documents not signed, the affected contracting officer/specialist is required to locate, correctly file and/or draft a memo to the file regarding the missing documentation. Since the date of this report, the Deputy Director, Contract Operations and the respective Division Director have verified that the missing documentation and other needed remediation has been completed.

IT Schedule 70 has functioned in an electronic contracting environment for new contract awards since October 1, 2011. From inception until now, there have been system issues that have impacted the level of integrity of effective contract administration. For example, the Office of the Chief Information Officer's (OCIO) Electronic Contract Management System (ECMS) system had several issues with documents being assigned incorrect Document Control Numbers (DCNs) which, in turn, imported the documents under the incorrect contract file tab. FSS Online is not aligned with the most recent CTAG which caused some files to be imported to the "unfiled" tab in eViewer/D2. Additionally, eViewer/D2 does not afford the contracting staff the functionality of moving files to the correct tab. Currently, all MAS business lines are working with the OCIO as well as the Office of Acquisition Management (QV) to open several System Correction Requests (SCRs) with the other systems to send correct data.

With respect to contract file reassignment, IT Schedule 70 has clear guidance recorded in its Desk Guide to ensure proper contract file transfer/reassignment among contracting staff. The following steps are required for reassignment of Contracts:

1. The Branch Chief makes the decision to initiate a file transfer from one CO/CS to another (whether within the same Branch or to another Branch). If transfer is to another Branch, both Branch Chiefs concur on the transfer.
2. The CO/CS must ensure that the contract file is complete in accordance with the File Transfer checklist. In instances where there are missing documents, the CO/CS is responsible for recovering information through extensive research. Where documents cannot be recreated or recovered, a Memo for Record (MFR) notating the missing documents must be included in the file.
3. Once the file is complete, the CO/CS should notify their Branch Chief (or designee) that the file is ready to be transferred and the Branch Chief (or designee) will complete the transfer. If transferring within the same Branch, the Branch Chief will then reassign the contract AND all open Modifications in FSS Online. If transferring a contract from one Branch to another Branch, the RECEIVING Branch Chief will be the one to complete the reassignment in FSS Online.

Appendix B – GSA Comments (cont.)

4. A Modification is automatically generated from FSS Online to incorporate the contract reassignment.

Based on the report's recommendations, IT Schedule 70 will revisit Operational Notice (ON) 2012-002, Quality Reviews, to ensure proper commitment to compliance and integrity of contract files throughout the organization. Additionally, IT Schedule 70's Training Coordinator will work in concert with operational management to establish training in support of the ON. Operational Management shall formulate a team to regularly conduct random reviews of contract files for accuracy.

Finding 3 – A Schedule 70 contracting officer exercised an option that extended the contract beyond its 20-year limit.

After an in-depth review, it was discovered that a contracting officer did not extend a contract beyond its 20-year limit. There were two temporary extensions processed for a Bart & Associates, Inc.'s contract in 2013 due to an ongoing audit which kept the contract active until the audit was closed and resolved. These temporary extensions only extended the 2nd option period and did not impact the final expiration date of the total 20-year contract period of performance. The amount of time extended was subtracted when the contracting officer exercised the final option period of the contract. The contract period of performance remained intact from September 18, 1998 through September 17, 2018. Thus, the contracting officer was compliant with I-FSS-163, Option to Extend the Term of the Contract (Evergreen) (APR 2000).

RECOMMENDATIONS:

1. Clearly define the responsibilities of contracting officers relative to price negotiation at the time of base contract award and when exercising contract options for extensions.

Response: The responsibilities of contracting officers relative to price negotiation at the time of base contract award and when exercising contract options for extensions are clearly defined in the IT Schedule 70 Desk Guide. Moreover, IT Schedule 70's Desk Guide guidance aligns with over-arching FAS guidance in the form of various Policy and Procedures (PAPs), Instructional Letters (ILs), Procurement Information Notices (PINs), Procurement Information Bulletins (PIBs), and other memorandums issued by the Office of Acquisition Management (QV). This information is currently housed in QV's repository called the Electronic Centralized Acquisition Tool (eCAT).

Additionally, it is IT Schedule 70's policy to conduct negotiations on all offers and potential options when the price analysis determines that the pricing is no longer fair and reasonable. Most notably, IT Schedule 70 has conducted the following training to address deficiencies:

- Price Analysis Training (January 2014)
- S70 Contract Award Audit Process (June 2015)
- Economic Price Adjustment (July 2015)
- Cloud SIN CO Training (September 2015)

Appendix B – GSA Comments (cont.)

- Commercial Supplier Agreement/EULA (October 2015)
- Category Management/Acquisition Gateway (November 2015)
- Negotiations Training (December 2015)
- CALC Training (July 2016)
- TDR Training (August 2016)
- TDR/FPT Training (July 2016)
- TAA Training (March 2016)
- TAA Training (August 2016)

Additionally, a focus group of contract specialists was convened to analyze and revise the Desk Guide as well as the Pre-Negotiation and Price Negotiation Memorandum Templates which were approved for distribution to the Center in November 2015. Based on the recommendation, it is the intent of IT Schedule 70 to continue conducting training sessions in support of the Desk Guide to reiterate the organization's policies.

2. Develop and issue guidance on holding negotiations at the time of contract award.

Response: IT Schedule 70's internal guidance as outlined in its Desk Guide requires that offers are negotiated prior to contract award. As noted previously, this has been the subject of past training and IT Schedule 70 will continue to conduct training sessions around this topic to ensure consistency.

3. Develop and implement a risk-based approach for negotiating options for contract extensions.

Response: As noted previously, IT Schedule 70 operates in accordance with FAS guidance in the form of various Policy and Procedures (PAPs), Instructional Letters (ILs), Procurement Information Notices (PINs), Procurement Information Bulletins (PIBs), and other memorandums issued by the Office of Acquisition Management (QV). This information is currently housed in QV's repository called the Electronic Centralized Acquisition Tool (eCAT). This guidance aligns with current practices as they relate to negotiation of option extensions. Based on the findings, it is the intent of IT Schedule 70 to develop specific internal guidance on negotiating contracts prior to exercising the option and conduct training sessions on this guidance to the contracting staff to reinforce the practice of negotiating when evaluating contracts being considered for options.

4. Develop and implement a methodology to conduct periodic reviews of active schedule contract files to determine whether the files contain all required documentation necessary to effectively administer the contracts and comply with the Federal Acquisition Regulation and FAS policy.

Response: IT Schedule 70 issued Operational Notice (ON) 2012-02 where the Branch Chief and/or designee is required to perform Quality Reviews of pre-award and post award actions to

Appendix B – GSA Comments (cont.)

ensure “compliance, clarity and accuracy at all stages of procurement activity” and that the required documents are filed accordingly.

IT Schedule 70 will take an additional step to establish an internal review process by establishing an Acquisition Management Review (AMR) Board consisting of contract operations Division Directors to periodically review physical and electronic contract files for compliance to complement PAP 2016-09 - Implementation of Quarterly Contract File Reviews for the Federal Supply Schedule (FSS) Program. The purpose of the PAP is to provide guidance on the implementation of the electronic file review and remediation process for Federal Supply Schedule (FSS) contracts. The PAP IT also provides specific guidance on the responsibilities of the acquisition activities in conducting contract file reviews.

5. Ensure that the contract documents that were not present in the official contract file during the audit have been added.

Response: IT Schedule 70’s Deputy Director, Contract Operations and the respective Division Director have, in coordination with the assigned contract officer/specialist, reviewed and ensured that the six (6) contracts that were missing documentation and/or signatures are now compliant (documents present in the contract files and/or a memorandum to the files have been added accordingly).

6. Ensure that the period of performance error identified during the audit has been remedied.

Response: As noted previously, the contract period of performance error identified during the audit was reviewed and determined that the contract did not exceed nor would not potentially exceed 20 years; no action is required for this recommendation.

Appendix C – Report Distribution

GSA Administrator (A)

Commissioner (Q)

Deputy Commissioner (Q1)

Chief of Staff (Q)

Assistant Commissioner, Office of Acquisition Management (QV)

Program Management Officer (QV0E)

Financial Management Officer, FAS Financial Services Division (BGF)

Chief Administrative Services Officer (H)

GAO/IG Audit Management Division (H1G)

Assistant Inspector General for Auditing (JA)

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