

FAS's Use of the 4P Tool on Contract and Option Awards Often Results in Noncompliant Price Determinations - GSA Office of Inspector General

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Why We Performed This Audit

This audit was included in our *Fiscal Year 2020 Audit Plan*. We performed this audit because Federal Acquisition Service (FAS) contracting personnel have increasingly used and relied on pricing tools to perform price analyses for Multiple Award Schedule contracts. Our audit objectives were to determine whether: (1) FAS has sufficient and appropriate policy, guidance, and internal controls related to the use of the Price Point Plus Portal tool (4P tool); (2) FAS contracting officers are using the 4P tool in accordance with federal regulations and existing FAS policy and guidance; and (3) the 4P tool provides accurate data for price analysis.

What We Found

FAS developed the 4P tool to help its contracting personnel evaluate proposed pricing on Multiple Award Schedule contracts offering products. In turn, FAS contracting personnel rely on the 4P tool when making fair and reasonable pricing determinations. However, due to a lack of sufficient guidance and oversight regarding the use of the 4P tool, FAS contracting personnel awarding contracts and options often make pricing decisions that do not comply with the Federal Acquisition Regulation, FAS policy, and the Competition in Contracting Act of 1984. As a result, federal agencies are at risk of overpaying for products on Multiple Award Schedule contracts and taxpayer dollars are at risk of being overspent.

We found that FAS contracting personnel used flawed methodologies and practices when performing analyses with the 4P tool. In doing so, FAS contracting personnel: (1) improperly relied on the 4P tool to establish price reasonableness without conducting additional price analysis; (2) awarded proposed pricing based on a 4P tool comparison to the current pricing on the same contract (self-hits); (3) awarded proposed pricing based on a 4P tool comparison to other government pricing, despite the 4P tool identifying better commercial pricing; and (4) awarded pricing that either exceeded the market thresholds established by the 4P tool or for which the 4P tool found no market research comparisons, without any further justification or analysis. We also found that FAS contracting personnel rely on the 4P tool although it often contains outdated or inaccurate pricing data that could skew price analysis results.

What We Recommend

We recommend that the FAS Commissioner:

1. Develop and implement oversight controls to ensure contracting personnel adhere to FAS Policy and Procedures 2020-02 and 2021-05, and only use the 4P tool as part of a larger negotiation strategy that seeks the lowest overall cost alternative to meet the needs of the federal government, as required by the Competition in Contracting Act of 1984.
2. Update the 4P Application User Guide to require contracting personnel to:
 - a. Conduct additional price analysis on products for which the 4P tool returns only self-hits;
 - b. Include commercial market pricing information presented in the 4P tool in price evaluations and provide justification when the awarded pricing exceeds the lowest commercial market price found;
 - c. Seek, analyze, and document justification for product pricing that exceeds the market threshold;

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and

- d. Manually research an appropriate sample of products for which the 4P tool found no market research comparisons to ascertain applicable market pricing information.
3. Provide training to contracting personnel regarding the use of the 4P tool, focusing on updated 4P Application User Guide requirements.
4. Develop and implement oversight controls to ensure contracting personnel are following the updated 4P Application User Guide.
5. Include commercial market pricing research on the 4P tool overview tab.
6. Include “no competitive research found” flags and a competitive research rate in 4P reports, exclusive of self-hits.
7. Design and implement procedures to ensure only accurate, current pricing is included in 4P reports.

The FAS Commissioner largely concurred with our recommendations, but contends that the methodology used to derive these recommendations does not substantiate the conclusion that 4P often contains outdated or inaccurate pricing data. In addition, the FAS Commissioner disagrees with our recommendation that contracting personnel should use commercial market pricing information presented in the 4P tool to evaluate GSA schedule pricing and provide justification when the awarded pricing exceeds the lowest commercial market price found.

FAS’s written comments are included in their entirety in **Appendix B**.

Business Line
Federal Acquisition Services

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