



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

Audit of Contractor Team Arrangement Use

*Report Number A130009/Q/A/P14004
September 8, 2014*



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

REPORT ABSTRACT

OBJECTIVES

The audit objectives were to: (1) determine the extent to which contracting officers follow existing guidance and regulation in the administration of contractor team arrangements, and (2) assess contracting officer awareness of risk in improperly administering team arrangements.

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WHAT WE FOUND

We identified the following during our audit:

Finding 1 – Limited instruction, informal guidance, and minimal experience inhibit proper contractor team arrangement administration.

Finding 2 – Contracting system limitations hinder contracting officers' ability to administer team arrangements and reduce associated risks.

WHAT WE RECOMMEND

Based on our audit findings, we recommend the Commissioner of the Federal Acquisition Service:

1. Strengthen guidance by:
 - a. Developing Federal Acquisition Service policies specific to contractor team arrangements; and
 - b. Providing instruction and training to contracting officers and schedule contractors on the use of contractor team arrangements.
2. Develop a centralized internal identification and tracking methodology for contractor team arrangements.

MANAGEMENT COMMENTS

The Commissioner of the Federal Acquisition Service concurred with the audit report findings and recommendations. Management's written comments to the draft report are included in their entirety as **Appendix B**.



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

DATE: September 8, 2014

TO: Thomas A. Sharpe, Jr.
Commissioner, Federal Acquisition Service (Q)
Michelle L. Westrup

FROM: Michelle L. Westrup
Audit Manager, Acquisition Programs Audit Office (JA-A)

SUBJECT: Audit of Contractor Team Arrangement Use
Report Number A130009/Q/A/P14004

This report presents the results of our audit of contractor team arrangement use. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in **Appendix B** of this report.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

| | | | |
|------------------|-------------------|--|---------------|
| Michelle Westrup | Audit Manager | michelle.westrup@gsaig.gov | (816)926-8605 |
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On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

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Introduction

A Schedule contractor team arrangement (team arrangement) is an agreement between two or more Multiple Award Schedule (schedule) contractors to work together to meet customer agency contracting needs. The team members develop a team arrangement, independent from the Government, which cannot conflict with the underlying terms and conditions of their separate schedule contracts. The team arrangement is documented in a written agreement that details the responsibilities of each team member.

A team arrangement allows contractors to complement each other's capabilities in order to provide a total solution that combines the supplies and/or services from the team members' individual Schedule contracts.¹ It also allows contractors, especially small businesses, to compete for orders they may not qualify for independently. Customer agencies benefit from team arrangements because they can procure a total solution to satisfy their requirements, rather than separate purchases from multiple contractors.

Objectives

The audit objectives were to: (1) determine the extent to which contracting officers follow existing guidance and regulation in the administration of contractor team arrangements, and (2) assess contracting officer awareness of risk in improperly administering team arrangements.

To answer the objectives, we examined Federal Acquisition Service (FAS) Assisted Acquisition Services' (Assisted Acquisitions) contract awards for team arrangements from October 2011 through July 2013. FAS provided us with a universe of contract awards for team arrangements. This universe was incomplete, inaccurate, and unverifiable. Therefore, our audit results are limited to the seven delivery and task orders awarded under three blanket purchase agreements (BPAs) that we could confirm as team arrangements.² In addition to reviewing the delivery and task orders, we also interviewed Assisted Acquisitions contracting officers and their respective supervisors for each BPA and order.

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

¹ Contractors can form team arrangements to meet customer agency contracting needs in response to a blanket purchase agreement and/or individual delivery and task orders.

² Refer to the Report Qualification section in **Appendix A** for details.

Results

Generally, contracting personnel are following existing FAS guidance for team arrangements; however, we identified specific instances of improperly administered team arrangements. We found that contracting officers are aware of risks associated with improper administration of team arrangements, but contracting system limitations hinder their ability to mitigate these risks.

Finding 1 – Limited instruction, informal guidance, and minimal experience inhibit proper contractor team arrangement administration.

Assisted Acquisitions contracting officers have been provided minimal instruction and have received no formal training relating to the award and administration of team arrangements. While FAS issued guidance on team arrangements, some is only suggestive rather than mandatory resulting in inconsistent application of the guidance. This, in addition to the fact that contracting personnel admitted they have limited experience with these types of awards, has led to instances of improper administration of team arrangements.

For one BPA Request for Quotation (RFQ) that we analyzed, the awarded team of contractors responded to the RFQ without a team arrangement agreement.³ However, the RFQ did not state that respondents needed to submit a team arrangement agreement. FAS's guidance recommends that contractors submit their team arrangement agreements along with their proposal in response to the RFQ, but it is not a requirement. Without this requirement, contractors may not properly respond. Also, contracting officers may not be aware that a team arrangement exists thereby causing an inaccurate or incomplete evaluation of offers.

In all seven orders that we examined, contracting officers only performed excluded parties checks on the team arrangement team lead. The same check was not conducted on any other team member. The contracting officer is required to review each team member for exclusions in the System for Award Management in accordance with Federal Acquisition Regulation 9.405(d)(1-4). Without proper administration of these checks, the Government risks award to excluded contractors. During interviews, contracting officers confirmed they only performed checks on the team lead and agreed that it would be valuable if they checked all team members. The omissions occurred because the team lead is the only contractor identified and tracked in contracting systems as the awardee.⁴ However, each team member is a prime contractor and should be treated as such.

³ The contracting officer obtained the agreement after two rounds of clarification letters to the contractor prior to contract award.

⁴ Contracting systems referred to in this report include governmentwide systems such as the Federal Procurement Data System – Next Generation and Contractor Performance Assessment Reports System, as well as internal contract management systems used within FAS.

Finding 2 – Contracting system limitations hinder contracting officers’ ability to administer team arrangements and reduce associated risks.

The internal and governmentwide contracting systems used by Assisted Acquisitions for inputting, collecting, and disseminating procurement data do not contain a data identifier for team arrangements. Therefore, Assisted Acquisitions cannot accurately identify or track team arrangements. System limitations, specifically the lack of a data identifier, obstruct contracting officers’ knowledge of team arrangements and thus hinder their ability to properly administer team arrangements and to reduce risk.

During discussions with Assisted Acquisitions contracting officers, we learned that the contracting systems allow only one contractor to be identified for each BPA and order. However, under a team arrangement, each member has privity of contract with the Government and can interact directly with the Government as a prime contractor. This system limitation generally causes the team lead to be treated as the only prime contractor, which is inaccurate and can negatively impact contract administration. One example of this is that performance ratings would only be directed toward the team lead and not necessarily toward the member performing the work. This results in inaccurate or skewed performance evaluations of team members and also inaccurately impacts the governmentwide past performance information on those contractors. In addition, the contractor identified as the team lead under a BPA usually continues as such for all BPA orders. This occurs regardless of whether or not that contractor is performing the majority of the work or is best suited to take the lead on a particular order.

Other Observations

In two orders, the invoices submitted by the team lead listed charges for subcontractors, when in fact they were charges for team member(s). As stated previously, team arrangement members are not subcontractors but equal prime contractors. This billing practice could cause confusion, as team members are allowed to use subcontractors. It also indicates a misunderstanding of team arrangements and how they should be administered.

In two separate orders, the team member fulfilling the orders reported lower sales than the team lead invoiced. While it is allowable that the team lead submit an invoice on behalf of all team members, GSA recommends that payment be made to each team member. GSA recognizes, however, that there may be instances where it is advantageous for payment to be made to the team lead who, in turn, pays each team member. When team leads complete all invoicing, there is opportunity to add administrative costs to those of its team members’ products and/or services. The addition of administrative costs diminishes the overall value of customer agencies’ total solutions.

Recommendations

We recommend that the Commissioner of the Federal Acquisition Service:

1. Strengthen guidance by:
 - a. Developing Federal Acquisition Service policies specific to contractor team arrangements; and
 - b. Providing instruction and training to contracting officers and schedule contractors on the use of contractor team arrangements.
2. Develop a centralized internal identification and tracking methodology for contractor team arrangements.

Management Comments

The Commissioner of the Federal Acquisition Service concurred with the audit report findings and recommendations. Management's written comments to the draft report are included in their entirety as **Appendix B**.

Conclusion

Generally, the existing contractor team arrangement guidance is followed; however, we identified specific instances of improperly administered team arrangements. In addition, FAS should clarify and strengthen existing guidance to prevent mismanagement. Contracting personnel admitted they have limited experience with team arrangements and have not received formal instruction regarding their administration. This is a primary contributing factor to improper administration.

Contracting officers are aware of some risks associated with improper administration, but contracting system limitations hinder their ability to mitigate team arrangement risks. In addition, FAS does not have a tracking method to identify team arrangements. Without complete and accurate data on team arrangements, FAS cannot gather reliable information (e.g., how often they occur, where they occur) or identify and address potential issues.

Appendix A – Purpose, Scope, and Methodology

Purpose

This audit was included in the General Services Administration Office of Inspector General Fiscal Year 2013 Audit Plan.

Scope

The audit scope was limited to a manual data submission of the Assisted Acquisitions' awards to team arrangements from October 2011 through July 2013. These consisted of seven delivery and task orders awarded under three BPAs.

Methodology

To accomplish our objectives, we:

- Reviewed FAS's Multiple Award Schedule guidance on contractor team arrangements.
- Obtained a manual data submission of delivery and task orders that Assisted Acquisitions awarded under BPAs to team arrangements from October 2011 through July 2013.
- Examined the files of the BPAs and orders awarded to team arrangements.
- Interviewed the contracting officers and their respective supervisors responsible for the orders we examined.

We conducted the audit between June and December 2013 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.

Internal Controls

The scope of our work was limited to addressing the objectives of this audit. Thus, our assessment and evaluation of internal controls was restricted to those issues identified in the Results and Report Qualification sections of this report.

Report Qualification

We determined that the team arrangement data provided was incomplete, inaccurate, and unverifiable, thus limiting our audit results. FAS does not track team arrangements at the contract or order level. Assisted Acquisitions compiled the data universe through a manual data call based on contracting officers' memories. They initially submitted 11

orders awarded within the audit time frame; however, we found an additional order that applied to the audit scope. We also confirmed that 5 of the original 11 orders provided were actually not team arrangements but prime-subcontractor relationships. This resulted in the seven orders that made up our scope.

Appendix B – Management Comments



U.S. General Services Administration

MEMORANDUM FOR BARBARA E. BOULDIN
PROGRAM DIRECTOR
ACQUISITION PROGRAMS AUDIT OFFICE (JA-A)

FROM: THOMAS A. SHARPE, JR. *Tha Sharpe*
COMMISSIONER
FEDERAL ACQUISITION SERVICE (Q) *8/11/2014*

SUBJECT: Comments on Audit of Contractor Team Arrangement Use
Report Number A130009

In accordance with your request, please be advised that we have reviewed the subject report and are providing comments in the attachment to this memorandum. These comments were prepared by the Office of Government-wide Policy, the FAS Office of Acquisition Management and the FAS Office of Assisted Acquisition Services. These comments are submitted for consideration before the issuance of the final report.

If you have any questions, please direct your inquiries to Lisa P. Grant, Acting Assistant Commissioner, Office of Acquisition Management at (703) 605-3589.

Attachments

Office of Inspector General Audit of Contractor Team Arrangement Use
Audit Number A130009
Response to OIG Recommendations

OIG Recommendation 1: Strengthen guidance by:

- a. Developing FAS policies specific to contractor team arrangements; and
- b. Providing instruction and training to contracting officers and schedule contractors on the use of contractor team arrangements.

Office of Government-wide Policy Response:

- a. Issue mandatory instructions regarding checking the exclusions list in SAM prior to entering into a Contractor Team Arrangement (CTA). The search should include all members of the teaming arrangement, not just whichever Contractor is deemed the lead. The check should also be done upon the opening of bids or the receipt of proposals and immediately prior to award as required by FAR 9.405.
- b. Issue GSA-wide policy regarding the definition of what "immediately prior to award means" (FAR 9.405 (d)(4)). There have been different interpretations in GSA concerning what constitutes immediately, many interpreting "immediately" to mean 1-5 days prior to award. The definition of immediately is "the same day as award, as close as possible to the time award is made".

EXAMPLE: If an award is made on the 28th of February at 3 p.m., the SAM check needs to be done on the 28th of February as close as possible to 3 p.m. with a copy of the screen shot in the file showing that a SAM check was done. If the SAM check was done any time before the 28th, and an exclusion was entered on the night of the 27th or the morning of the 28th, and the CO does not check SAM on the 28th close to the time of award, then that CO would have been deemed to have made an award to a suspended or debarred contractor which is in violation of the FAR.

It is important to note to COs that the determination of whether an award was made to a suspended or debarred contractor is not a matter of policy or opinion. It is a matter of fact that can be demonstrated by looking at dates and times when an entity was excluded in SAM and dates and times when an award was made.

Office of Acquisition Management Response (QV):

- a. The Office of Governmentwide Policy (OGP), with input from the FAS Office of Acquisition Management (QV), has begun to draft FAR and GSAR regulations to

address the absence of contractor team arrangement (CTA) policy, including the aspects outlined in this audit report summary. FAS CTA policy will be updated accordingly, once the GSAR/GSAM regulations are finalized. OGP's estimated timeframe for a final rule being published is April 2016. This projection is based upon the time needed for FAR/GSAR cases to go through the rulemaking process, soliciting public comment, and reconciling comments before a rule is published as final.

- b. QV currently offers CTA training through webinars and a Defense Acquisition University (DAU) course, FAC 036: GSA Schedules BPAs and CTAs. However, QV will update these training courses once new regulations are finalized.

OIG Recommendation 2: Develop a centralized internal identification and tracking methodology for contractor team arrangements.

Assisted Acquisition Services Response (QF):

QF agrees with the recommendation and the action plan will address the recommendation at the appropriate time.

QF has begun proactive measures by establishing/developing policies specific to CTAs and providing instruction and training to Contracting Officers with regards to any acquisition awarded and administered within the AAS Business Systems (ASSIST, ITSS, and TOS) is subject to the following instructions.

(a) Prior to executing the initial award of any acquisition (agreements, contracts, orders) within the AAS Business Systems to a valid CTA, the contracting officer shall file all appropriate documents associated with the CTA in the electronic contract file in the "Award Documents" tab (Tab 45) and referencing the "Teaming Arrangements (if applicable)" category. The contracting officer shall maintain the file with any additional documentation germane to the CTA similarly filed in the same tab and category.

(b) When an indefinite-delivery vehicle has been established (i.e., BPAs, BOAs, IDIQs, IDDQs, IDRs) with an award going to a CTA, the contracting officer shall file all appropriate documentation concerning the CTA in the electronic contract file for both indefinite-delivery vehicle and any resultant orders or calls.

(c) For any awards already executed to CTAs, the contracting officer shall file all appropriate documents associated with the CTA at the same tab ("Award Documents") and category ("Teaming Arrangements (if applicable)").

(d) The contracting officer shall not, at any time, maintain a separate file or use an alternate location within the electronic contract file for documents germane to CTA management.

Appendix C – Report Distribution

Commissioner, Federal Acquisition Service (Q)

Deputy Commissioner, Federal Acquisition Service (Q1)

Chief of Staff, Federal Acquisition Service (Q0A)

Controller, Federal Acquisition Service (BF)

Acting Assistant Commissioner, Office of Acquisition Management (QV)

Assistant Commissioner, Office of Assisted Acquisition Services (QF)

Deputy Assistant Commissioner, Office of Assisted Acquisition Services (QF1)

Associate Administrator for Governmentwide Policy (M)

Branch Chief, GAO/IG Audit Response Branch (H1C)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

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