



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

# Audit of the GSA Federal Acquisition Service's Use of Outside Consultants

Report Number A140006/Q/6/P18001  
March 26, 2018

---

## ***Executive Summary***

---

### **Audit of the GSA Federal Acquisition Service's Use of Outside Consultants**

Report Number A140006/Q/6/P18001

March 26, 2018

#### **Why We Performed This Audit**

We included this audit in our *Fiscal Year 2014 Audit Plan* based on concerns of a former GSA Deputy Administrator. The Deputy Administrator was familiar with our findings from prior audits of consultant contracts awarded by GSA's Public Buildings Service and requested an audit on the use of consulting contracts by the Federal Acquisition Service (FAS) to verify that similar problems did not exist.

Our objectives were to determine whether GSA's FAS officials: (1) awarded and administered consulting contracts in accordance with the Federal Acquisition Regulation (FAR) to ensure that the contracts were necessary, pricing was reasonable, and deliverables were obtained; (2) used the results of consulting contracts to enhance FAS operations; and (3) complied with its policies and procedures pertaining to consulting projects.

#### **What We Found**

We found that FAS received deliverables for the 17 contracts we sampled and used the deliverables to enhance FAS operations. However, four of the contracts did not fully comply with FAR requirements and two did not comply with FAS internal policies and procedures. As a result, FAS needs to improve its award and administration controls to ensure consulting contracts are properly planned and approved, pricing is fair and reasonable, and project costs are controlled.

#### **What We Recommend**

We recommend that the FAS Commissioner implement controls to ensure that all FAS contracting actions for consulting services comply with the FAR and FAS policies and procedures.

The FAS Commissioner agreed with our audit findings and recommendation. GSA's written comments are included in their entirety in ***Appendix C***.

---

## **Table of Contents**

---

<b>Introduction .....</b>	<b>1</b>
<b>Results</b>	
<i>Finding 1 – Several consulting contracts did not meet FAR requirements for acquisition planning and fair and reasonable pricing. ....</i>	<i>3</i>
<i>Finding 2 – FAS could improve controls to ensure that FAS officials follow its policies and procedures for approving consulting projects and controlling cost. ....</i>	<i>4</i>
<b>Conclusion.....</b>	<b>6</b>
<i>Recommendation .....</i>	<i>6</i>
<i>GSA Comments.....</i>	<i>6</i>
<b>Appendixes</b>	
<b>Appendix A – Scope and Methodology.....</b>	<b>A-1</b>
<b>Appendix B – Schedule of Consulting Contracts Reviewed.....</b>	<b>B-1</b>
<b>Appendix C – GSA Comments.....</b>	<b>C-1</b>
<b>Appendix D – Report Distribution .....</b>	<b>D-1</b>

---

## Introduction

---

We performed an audit of the GSA Federal Acquisition Service's (FAS's) use of outside consultants.

### Purpose

We included this audit in our *Fiscal Year 2014 Audit Plan* based on concerns of a former GSA Deputy Administrator. The Deputy Administrator was familiar with our findings from prior audits of consultant contracts awarded by GSA's Public Buildings Service. These audits identified a lack of measurable deliverables, poorly defined statements of work, and a failure to receive adequate value for expended funds. We also found instances of noncompliance with Federal Acquisition Regulation (FAR) requirements applicable to acquisition planning, competition, and price reasonableness. The Deputy Administrator requested an audit on the use of consulting contracts by FAS to verify that similar problems did not exist.

### Objectives

Our objectives were to determine whether GSA's FAS officials: (1) awarded and administered consulting contracts in accordance with the FAR to ensure that the contracts were necessary, pricing was reasonable, and deliverables were obtained; (2) used the results of consulting contracts to enhance FAS operations; and (3) complied with its policies and procedures pertaining to consulting projects.

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

### Background

FAS officials stated that the organization contracts with private sector consulting firms when it identifies a need to improve its operations but does not have the required resources or skills available in house to do so. Examples of consulting services used by FAS officials included data analysis, benchmarking, planning, or process development and implementation.

FAS has used consultants throughout its organization. As shown in *Figure 1*, each of FAS's four business portfolios, as well as other FAS offices, used private sector consulting contracts during our 5-year sample period.

**Figure 1 – Consulting Contracts by Portfolio: Fiscal Year 2011 to Fiscal Year 2015**

<b>FAS Portfolio</b>	<b>Number of Consulting Contracts</b>	<b>Award Value</b>
Office of General Supplies & Services Categories	14	\$24.9 million
Office of Travel, Transportation, & Logistics Categories	2	\$0.5 million
Office of Information Technology Category	13	\$66.5 million
Office of Assisted Acquisition Services	1	\$6.9 million
Other FAS Offices	<u>14</u>	<u>\$28.4 million</u>
<b>Total</b>	<b>44</b>	<b>\$127.2 million</b>

Information provided by FAS officials indicated that from Fiscal Year 2011 to Fiscal Year 2015, FAS had 44 consulting contracts with a combined award value of \$127.2 million. This information was based on a FAS headquarters data call to FAS offices because FAS has no central repository of consulting contract data. As a result, we could not independently verify that these 44 contracts represent all consulting contracts FAS had in effect for our sample period.

---

## Results

---

We found that FAS received deliverables associated with the 17 consulting contracts sampled, and used the deliverables to enhance operations. However, four of the contracts did not fully comply with FAR requirements and two did not comply with FAS internal policies and procedures. As a result, FAS had little assurance that these contracts were properly approved, the pricing was fair and reasonable, or that the project costs were controlled.

### **Finding 1 – Several consulting contracts did not meet FAR requirements for acquisition planning and fair and reasonable pricing.**

We found that 4 of the 17 sampled contract files (24 percent) with a combined award value of \$10.9 million (21 percent of total award value) did not contain documentation to support need, acquisition planning, and price reasonableness determinations.

The FAR requires the contracting officer to plan, conduct, and administer acquisitions to ensure contracts are necessary, pricing is fair and reasonable, and deliverables are received. However, in some cases, FAS contracting officials did not comply with requirements for assessing need and pricing. As a result, there was inadequate assurance that these contracts were needed or that the government obtained the consulting services at the best price to meet its needs.

FAR requirements for contract files include:

- **FAR 4.805** requires retention of contract file documentation for 6 years after the final payment.
- **FAR Part 7** requires the development of an acquisition plan that documents the purpose and scope of the proposed project and the reasons the agency could not perform the work.
- **FAR 15.8** requires contracting officers to purchase supplies and services from responsible sources at fair and reasonable prices and to document this determination in the form of a Price Negotiation Memorandum.

We judgmentally sampled 17 of 44 consulting contracts identified by FAS with a \$51.6 million total award value. Our review and analysis focused on contracts with award values exceeding \$1 million. See **Appendix B** for a list of the sampled contracts and information on how the services performed by consultant contractors enhanced FAS operations. We found that 4 of the 17 sampled contract files did not contain documentation to support need, acquisition planning, and price reasonableness. The identified issues included:

- The contracting officer did not perform a price evaluation for a sole source contract awarded under the 8(a) Streamlined Technology Acquisition Resources for Services II

government-wide acquisition contract. A prior internal FAS review of the sole source contract file also noted no price evaluation. While the 8(a) government-wide acquisition contract allows sole source awards under FAR 19.8, sole source authority does not exempt the award from the FAR requirement to conduct price analysis and document the contracting officer's determination of fair and reasonable pricing. The absence of competition makes this requirement especially important.

- The contracting officer did not prepare a complete price evaluation for a contract awarded to an incumbent contractor. Although the price evaluation showed that the offeror's proposed labor rates were compared to other GSA schedule contracts, it did not include an explanation of which schedule contracts were used and how those rates compared to the offered rates. In addition, the contracting officer did not evaluate the level of effort and labor mix as required by FAR 8.405 and GSA schedules ordering instructions. This is typically accomplished by an evaluation where the types of labor and proposed hours are analyzed to determine that the total price is reasonable.
- For one contract, there was no evidence of a need for the acquired consulting services or that the selected contractor offered the best solution for the government at a fair and reasonable price. FAS officials advised us that the documentation was lost when contract responsibility was transferred from Central Office to the Pacific Rim Region; therefore, there was no acquisition plan, source selection plan, or Price Negotiation Memorandum. Since the contracts in our sample were in effect from Fiscal Year 2011 to Fiscal Year 2015, the FAR 4.805 requirement to retain contract file documentation for 6 years applied.
- The contracting officer did not perform a price evaluation for a new labor category added to a sole source consulting contract. In 2013, the contracting officer extended the contract and added a labor category, which was not included in the base contract, without describing the basis for the labor rate or hours. Consequently, there was no assurance of fair and reasonable pricing as required by FAR 15.402. In the same modification, the contracting officer added hours to another labor category at a higher rate than established in the base contract and without an analysis of the number of hours.

FAS needs to strengthen controls to ensure that contracting officers follow FAR requirements, emphasizing those supporting acquisition planning and price reasonableness determinations.

**Finding 2 – FAS could improve controls to ensure that FAS officials follow its policies and procedures for approving consulting projects and controlling cost.**

For 2 of the 17 sampled consulting contracts with an award value of \$5.4 million, FAS could not provide support that it followed procedures designed to ensure large consultant contracts are approved and monitored by senior FAS management.

FAS procedures require the development, approval, and quarterly monitoring of Executive Business Case (EBC) models for major initiatives, including those that entail consulting contracts. An EBC is a document that is developed to justify business decisions exceeding \$250,000 with a thorough analysis. The EBC is then reviewed by FAS senior management, including the FAS Commissioner, in an effort to ensure sound business decisions. Funding estimates for anticipated contractual obligations are also prepared during the development of the EBC.

The following two contract files were insufficiently documented to support FAS's compliance with its EBC policies:

- FAS did not award a consultant contract in accordance with the approved EBC. Senior FAS management approved the project for \$1 million, but FAS awarded the contract for \$1.4 million. Further, FAS increased the total contract amount to \$2 million in 2013 without the required approval.
- FAS did not monitor two EBCs quarterly as required by FAS policy. One EBC was related to a \$4 million contract and the other was associated with the \$2 million contract discussed in the previous bullet. FAS officials stated that, due to workload and staffing limitations, they must decide each year which EBCs to track. However, FAS's written policy does not provide for this exception. Accordingly, FAS did not follow the policy.

FAS should adhere to its policies and procedures designed to ensure that large consulting contracts are necessary and executed at a reasonable cost.



---

## **Conclusion**

---

We found that FAS received deliverables for the 17 contracts sampled and used the deliverables to enhance FAS operations. However, four of the contracts did not fully comply with FAR requirements and two did not comply with FAS internal policies and procedures. As a result, FAS needs to improve its award and administration controls to ensure its consulting contracts are properly planned and approved, pricing is fair and reasonable, and project costs are controlled.

## **Recommendation**

We recommend that the FAS Commissioner implement controls to ensure that all FAS contracting actions for consulting services comply with the FAR and FAS policies and procedures.

## **GSA Comments**

The FAS Commissioner agreed with our audit findings and recommendation. GSA's written comments are included in their entirety in **Appendix C**.

## **Audit Team**

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

John Walsh	Regional Inspector General for Auditing
Erin Priddy	Audit Manager
John Pollock	Auditor-In-Charge
Katina Luke	Management Analyst

---

## **Appendix A – Scope and Methodology**

---

Our audit scope consisted of a judgmental sample of 17 (39 percent) of 44 FAS consulting contracts in effect from Fiscal Year 2011 to Fiscal Year 2015. The total award value of the 44 contracts was \$127.2 million, and the estimated value of our sampled 17 contracts was \$51.6 million (or 41 percent of the universe). Our selection was based on award values exceeding \$1 million.

To accomplish our objectives, we:

- Reviewed relevant criteria, including the FAR and FAS policies and procedures;
- Obtained information on FAS's internal control procedures related to consulting projects and evaluated compliance with those procedures;
- Reviewed contract files and additional information provided by FAS for each contract in our sample, including support for the need to acquire the services, determination of fair and reasonable pricing, and the receipt and use of contract deliverables; and
- Interviewed consulting project managers and other Agency officials regarding contract file documentation, contract administration, and the contract deliverables.

We conducted the audit between February 2015 and November 2016 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**

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

### **Report Qualification**

We could not verify the universe of FAS consulting contracts because FAS does not maintain a centralized record of consulting contracts awarded. We relied on FAS to identify all consulting contracts awarded during our sample period.

## **Appendix B – Schedule of Consulting Contracts Reviewed (Note 1)**

FAS Portfolio	Description	Award Value	Deficiency	Notes
Office of General Supplies & Services Categories	Business transformation support	\$1,395,900	FAR requirements	(2)
Office of General Supplies & Services Categories	System interface	\$3,117,169		(3)
Office of Information Technology Category	Business process improvements	\$1,174,361	FAR requirements	(4)
Office of Assisted Acquisition Services	Program management support	\$6,890,621	FAR requirements	(5)
Other FAS Offices	Program management support	\$8,545,116		(6)
Office of General Supplies & Services Categories	Technical support	\$3,005,415		(7)
Other FAS Offices	Acquisition electronic systems support	\$1,397,735	FAR requirements and FAS policies	(8)
Office of General Supplies & Services Categories	Program management support	\$1,831,793		(9)
Office of Information Technology Category	Business strategy support	\$1,396,641		(10)
Office of General Supplies & Services Categories	Program management support	\$2,923,783		(11)
Other FAS Offices	Program management support	\$3,471,439		(12)
Office of General Supplies & Services Categories	Program management support	\$1,879,516		(9)
Other FAS Offices	Architecture and governance support	\$2,320,953		(13)
Other FAS Offices	Business intelligence services	\$4,049,391	FAS policies	(14)
Office of Information Technology Category	Strategic support services	\$2,775,521		(15)
Other FAS Offices	Program management support	\$3,529,391		(16)
Office of General Supplies & Services Categories	Program management support	<u>\$1,927,213</u>		(9)
	<b>Total</b>	<b>\$51,631,958</b>		

---

## ***Appendix B – Schedule of Consulting Contracts Reviewed (Note 1) (cont.)***

---

### **Notes:**

(1) This appendix summarizes the 17 FAS consulting contracts that we reviewed. The summaries include an overview of the services associated with the consulting contracts, information on how the services performed by consultant contractors enhanced FAS operations, and any deficiencies we found.

(2) The Office of General Supplies & Services Categories (GSS) Business Operations Support Division awarded this contract for business transformation support. The contractor developed business and system level requirements for enhancing systems; analyzed business process and system interaction; and provided systems training support, operational coordination, and technical analysis.

FAR requirements deficiency: The contract file did not include a price evaluation.

(3) GSS contracted for a vendor/supplier network that interfaced with GSA's electronic data interchange (EDI) gateway. The contractor developed procedures for communicating transaction data to and from vendors who are not EDI enabled. The output of this order was a system interface to serve as the primary pathway for the electronic exchange of transaction data between GSA and vendors.

(4) The Office of Information Technology Category (ITC) Network Services contracted for data analytics, planning, and adjustments to migrate to an environment aligned with industry processes and internal GSA business models. The contractor provided assistance with telecommunications industry traffic and pricing trends, analysis supporting ITC performance reports, market share analysis, and other information technology-related technical analyses. FAS used the deliverables to develop strategies and plans to meet customer requirements.

FAR requirements deficiency: The price evaluation was incomplete.

(5) The Office of Assisted Acquisition Services contracted for program support in: strategic initiatives, management support, business process improvement support, human capital planning, strategic communications, and transition support. The contract deliverables were used by Assisted Acquisition Services to develop a business strategy that resulted in the portfolio fully recovering costs of operations.

FAR requirements deficiencies: The contract file lacked support for acquisition planning, price reasonableness, and source selection methodology.

---

## ***Appendix B – Schedule of Consulting Contracts Reviewed (Note 1) (cont.)***

---

- (6) The Integrated Award Environment Program Management Office contracted for support to further develop program and project management processes, tools, and procedures. FAS officials stated that the contractor's services have been essential to the functioning of the program office.
- (7) The GSS Enterprise Supply Chain Management Division contracted for technical support for implementing the transformation of its business operations. FAS officials stated that the contractor helped GSS with the Global Supply transformation and helped award contracts for major system improvements.
- (8) The Office of Acquisition Management contracted for support and expertise in the development and maintenance of acquisition electronic systems. FAS officials stated that the contractor's support resulted in the improvement of some major projects and small processes.

FAR requirements and FAS policies deficiencies: We found no justification in the contract file for an added labor category and hours. In addition, the awarded amount for the project was higher than the amount approved by FAS management. FAS did not perform quarterly reviews to ensure adequate project oversight.

- (9) GSS contracted for comprehensive business case and decision support analyses, project and acquisition services support, and customized business operations training. The contractor provided services for the development of new initiatives, governance reports, and customized training. In addition, a FAS official told us that new business model implementation and supply chain analytics resulted from the contractor's work.
- (10) ITC Office of Planning and Portfolio Management contracted for assistance for defining, planning, and implementing key aspects of its multi-year business strategy. Contractor deliverables included benchmarking to determine how ITC could measure success in a category management environment, a future operating model, category management analytics, market research, and strategies and measures to define roles within ITC.
- (11) GSS contracted for support to transform the retail store business model to a fourth party logistics business model, which entails the outsourcing of logistics activities to a provider that will improve service levels, reduce logistics costs, and provide greater flexibility for changing business needs. FAS officials stated that the contractor's work was used to improve operational efficiency, data reporting, and financial analysis.

---

## ***Appendix B – Schedule of Consulting Contracts Reviewed (Note 1) (cont.)***

---

- (12) The Office of Strategy Management contracted for consulting and general administrative support. The contractor provided services needed to establish its program management office, oversee organizational strategy, and coordinate activities across categories. FAS officials stated that this work resulted in a common category management methodology and processes that have helped advance FAS’s business planning process.
- (13) The Integrated Acquisition Environment Program Management Office contracted for project management and business improvement services in the areas of information technology architecture, data governance and management, strategic stakeholder engagement, and standard operating procedures. FAS officials stated that the deliverables helped FAS in the areas of program management, budgeting, and quality control.
- (14) FAS contracted for consultation to evaluate, assess, and develop recommendations for Multiple Award Schedules Program improvements. The contractor provided services for analyzing the Multiple Award Schedules Program, developing a value proposition, and defining opportunities for business growth. FAS officials stated that the deliverables from this contractor helped develop several FAS program initiatives and changes, including the Acquisition Gateway and the recent Transactional Data Reporting Rule, and assisted in the validation of steps taken to modernize the Multiple Award Schedules Program.
- FAS policies deficiency: The contract file did not include quarterly reviews to ensure adequate oversight was performed on the project.
- (15) The ITC Office of Planning and Portfolio Management contracted for research, analysis and consulting support for implementing key aspects of its business strategy. Contractor deliverables included process mapping, communications support, training plan and skills assessments, and support assisting with articles related to category management.
- (16) The Office of Strategy Management contracted for services in support of the Office of Federal Procurement Policy’s government-wide category management initiative. The contractor was tasked with the development of training, job aids, and guidance for individuals. In addition, the contractor provided support for change management and communication support, multi-media content, and cultural change management. Contractor deliverables included development of a change management framework supporting the category management and Acquisition Gateway initiatives.

---

## Appendix C – GSA Comments


---



Federal Acquisition Service

March 14, 2018

MEMORANDUM FOR: John F. Walsh  
Regional Inspector General for Auditing  
Heartland Region Audit Office (JA-6)

FROM: Alan B. Thomas, Jr.  14 Mar 2018  
Commissioner  
Federal Acquisition Service (Q)

SUBJECT: Draft Audit of the GSA Federal Acquisition Service's Use of  
Outside Consultants, *Report Number A140006*

Thank you for the opportunity to review the draft Audit of the GSA Federal Acquisition Service's Use of Outside Consultants, Report Number A140006, dated February 27, 2018. The Federal Acquisition Service (FAS) appreciates the audit and concurs with the findings.

In regard to Finding 1, "Several consulting contracts did not meet FAR requirements for acquisition planning and fair and reasonable pricing" - While FAS has existing controls and training in place for effective compliance with the Federal Acquisition Regulation (FAR) requirements, FAS intends to provide additional training opportunities to our acquisition workforce. The trainings will be aimed at methods for determining fair and reasonable pricing through price analysis and appropriate documentation, enforcing the importance of Acquisition Planning, and documenting contract files in accordance with FAR requirements and internal policies in relation to contracting actions for consulting services.

FAS concurs with the recommendation in Finding 2, "FAS could improve controls to ensure that FAS officials follow its policies and procedures for approving consulting projects and controlling cost", and we continue to refine our Executive Business Case (EBC) development, approval, quarterly review, and governance processes to ensure we have the right level of accountability and oversight throughout the lifecycle of strategic investments. In the time that has elapsed since the audited EBCs were funded and today, FAS moved toward an electronic document routing and approval system (Salesforce) to significantly improve the documentation and approval process of EBCs. To date, FAS actively tracks >90% of dollars funded via EBCs and reports on the investments' financial execution, milestones and performance metrics to the FAS Commissioner and leadership, on a quarterly basis. FAS continues to work with the Office of

1800 F Street, NW  
Washington, DC 20405-0002

[www.gsa.gov](http://www.gsa.gov)

---

## ***Appendix C – GSA Comments (cont.)***

---

the Chief Financial Officer (OCFO) to improve controls and standardize procedures related to EBC approval and project execution.

As a point of clarification, the third paragraph in Finding 2 states: "*FAS procedures require the development, approval, and quarterly monitoring of Executive Business Case (EBC) models for major initiatives...*". EBCs are required when new investment is necessary for instances such as major initiatives, adding two or more Full Time Equivalents (FTE) to an approved staffing plan, to fund studies, or to bring FAS into compliance with new legislation or legal mandates. However, it is possible that a major initiative can be completed without an EBC if no new funding is required.

Again, thank you for the opportunity to review this report. If you have any questions, please contact Judith R. Zawatsky, FAS Chief of Staff at 703-859-3826 and [judith.zawatsky@gsa.gov](mailto:judith.zawatsky@gsa.gov).



---

## ***Appendix D – Report Distribution***

---

GSA Administrator (A)

FAS Commissioner (Q)

Deputy FAS Commissioner (Q1)

Deputy FAS Commissioner (Q2)

FAS Chief of Staff (Q0A)

Assistant Commissioner, FAS Office of Policy and Compliance (QV)

Financial Management Officer, FAS Financial Services Division (BGF)

Acting Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

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