



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

Audit of FAS's Wireless Federal Strategic Sourcing Initiative

Report Number A160063/Q/T/P18003
June 14, 2018

Executive Summary

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Why We Performed This Audit

We included this audit in our *Fiscal Year 2015 Audit Plan* based on our annual risk assessment evaluating Federal Acquisition Service (FAS) operations. In addition, we anticipate increased use of FAS's Wireless Federal Strategic Sourcing Initiative (FSSI Wireless) Blanket Purchase Agreements (BPAs) due to an Office of Management and Budget directive to leverage the government's buying power, improve management of information resources, and drive down costs.¹ Therefore, we performed this audit to determine if FAS administers the FSSI Wireless BPAs in order to achieve best pricing.

What We Found

We identified two areas for improvement related to FSSI Wireless BPA pricing and contract administration. First, BPA rates may not provide ordering agencies with best value. Second, BPA deliverables were not provided in accordance with BPA terms and conditions possibly impairing contract administration.

What We Recommend

We recommend the FAS Commissioner:

1. Use BPA task order prices to determine if the BPAs represent best value in FAS's annual rate review and require that BPA rates are lower than Schedule 70 contract rates.
2. Use BPA task order prices to assist in determining price reasonableness for any future wireless BPAs.
3. Implement controls to ensure that contractors are billing ordering agencies in compliance with the pricing terms of the BPAs.
4. Assess the BPA deliverable requirements to determine the most appropriate recipient(s) of the deliverable information.
5. Implement controls to ensure that all BPA deliverables include required information and are provided to the required recipients.

The FAS Commissioner agreed with our recommendations. GSA's written comments are included in their entirety as ***Appendix B***.

¹ Office of Management and Budget M-16-20, Category Management Policy 16-3: *Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services*, dated August 4, 2016.

Table of Contents

Introduction	1
Results	
<i>Finding 1 – The FSSI Wireless BPAs may not provide ordering agencies with best value due to rate variances and BPA rates equal to Schedule 70 contract rates.....</i>	<i>3</i>
<i>Finding 2 – Some FSSI Wireless BPA deliverables were not provided in accordance with BPA terms and conditions, potentially impairing effective contract administration.....</i>	<i>5</i>
Conclusion.....	7
<i>Recommendations</i>	<i>7</i>
<i>GSA Comments.....</i>	<i>7</i>
<i>Auditor Response to GSA Comments.....</i>	<i>7</i>
Appendixes	
Appendix A – Scope and Methodology.....	A-1
Appendix B – GSA Comments	B-1
Appendix C – Report Distribution.....	C-1

Introduction

We performed an audit of the Federal Acquisition Service's (FAS's) Wireless Federal Strategic Sourcing Initiative (FSSI Wireless) Blanket Purchase Agreements (BPAs).

Purpose

We performed this audit based on our Fiscal Year 2015 risk assessment evaluating FAS operations.

In addition, on August 4, 2016, the Office of Management and Budget (OMB) issued M-16-20, Category Management Policy 16-3: *Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services*, which requires government agencies to use the FSSI Wireless BPAs for their mobile devices and wireless services. With potential increased use of the BPAs, we determined that an audit of the FSSI Wireless BPAs could benefit both FAS and the taxpayer.

Objective

Our objective was to determine if FAS administers the FSSI Wireless BPAs in order to achieve best pricing for ordering agencies.

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

Background

Strategic sourcing is the process of analyzing an organization's spending patterns to better leverage its purchasing power, reduce costs, and improve overall performance. In 2005, the government implemented the Federal Strategic Sourcing Initiative (FSSI Program), a program designed to enable the government to leverage its buying power. The FSSI Program is governed by the Strategic Sourcing Leadership Council under the guidance of OMB's Office of Federal Procurement Policy. This council includes representatives from the seven largest and highest-spending government agencies including the Department of Defense, Department of Homeland Security, Department of Energy, and General Services Administration (GSA).

Within GSA, the FSSI Program Management Office is located in FAS's Office of Enterprise Strategy Management. FAS's primary goals for the FSSI Program are to:

- Re-evaluate purchasing across federal agencies;
- Establish ways to increase cost savings and value; and
- Collaborate with industry to develop and share best practices.

FAS offers solutions under the FSSI Program in six different areas: (1) Domestic Delivery Services; (2) Maintenance, Repairs, and Janitorial Services; (3) Office Supplies; (4) Print Management; (5) Information Services; and (6) Wireless Services.

With FSSI Wireless, FAS intends to improve the procurement and management of wireless services across government. Using this program, ordering agencies are able to consolidate their number of wireless contracts in an effort to reduce costs and achieve better volume discounts. FSSI Wireless is also intended to improve information management for ordering agencies by reducing the number of service plans offered and enabling access to standardized usage data. This data could, in turn, assist ordering agencies in identifying greater cost savings opportunities. FAS reported that in Fiscal Year 2015, government agencies saved an average of 27 percent through the FSSI Wireless Program.

FSSI Wireless BPAs were awarded against FAS's Schedule 70 under Special Item Number 132-53, Wireless Services.² FAS awarded these BPAs to four major telecommunications contractors in April 2013, with negotiated prices for over 100 different products and services.

Ordering agencies can place task orders under these BPAs and, according to Federal Acquisition Regulation 8.404, *Use of Federal Supply Schedules*, may seek additional discounts at the task order level. FAS charges an Industrial Funding Fee (0.75 percent) to administer its schedules and an additional fee (0.75 percent) to execute the FSSI Wireless Program. These fees are included in the contract and BPA prices, as appropriate, and are passed on to ordering agencies. During Fiscal Year 2016, total sales under the FSSI Wireless BPAs were approximately \$58 million.

On August 4, 2016, OMB issued M-16-20, Category Management Policy 16-3: *Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services*. It seeks to improve the management of mobile service contracts by requiring agencies to:

- Report agency usage and eliminate unnecessary inventory;
- Reduce the number of mobile device and service contracts and transition to a government-wide solution; and
- Modify demand management practices to optimize pricing and device refresh schedules.

According to M-16-20, agencies are required to consolidate all voice and data requirements to one contract per carrier using a government-wide acquisition strategy by September 30, 2018. To date, OMB has not released guidance regarding the government-wide strategy scheduled for implementation in 2018. However, the requirement to use a government-wide solution will likely increase sales under the FSSI Wireless BPAs.

² Schedule 70 refers to GSA's General Purpose Commercial Information Technology Equipment, Software, and Services schedule.

Results

FAS should improve the pricing and contract administration for the FSSI Wireless BPAs. Specifically, we found that FAS has more opportunities to provide savings to the federal government for wireless services by addressing significant FSSI Wireless rate variances and BPA rates that are equal to Schedule 70 contract rates. In addition, some FSSI Wireless BPA deliverables were not provided in accordance with BPA terms and conditions, potentially impairing effective contract administration.

Finding 1 – The FSSI Wireless BPAs may not provide ordering agencies with best value due to rate variances and BPA rates equal to Schedule 70 contract rates.

Some current FSSI Wireless pricing may not result in ordering agencies receiving best value from the BPAs. Federal Acquisition Regulation 8.405-3, *Blanket Purchase Agreements*, states that BPAs should be established to provide the supply or service that represents best value. In addition, FSSI Wireless emphasizes that use of the BPAs will result in additional opportunities to increase savings.

However, we found that the BPAs may not be providing best value and increased savings as intended. We analyzed approximately \$26 million worth of FSSI Wireless BPA sales data for two contract line item numbers (CLINs). These CLINs – CLIN 1004 (400 voice minute plan) and CLIN 1106 (unlimited data plan) – accounted for the majority of BPA sales during our audit period. *Figure 1* shows the Schedule 70 contract rate, BPA rate, and the billed rates for the 400 voice minute plan and *Figure 2* shows the Schedule 70 contract rate, BPA rate, and the billed rates for the unlimited data plan.

Figure 1 – Rates for the 400 Voice Minute Plan

Contractor	Schedule 70 Rate	BPA Rate	Range of Billed Rates
Contractor 1	\$38.84	\$33.84	\$19.99 - \$34.00
Contractor 2	\$28.20	\$25.36	\$21.99 - \$46.51
Contractor 3	\$35.20	\$22.99	\$13.79 - \$37.99
Contractor 4	\$22.95	\$22.95	\$6.53 - \$27.99

Figure 2 – Rates for the Unlimited Data Plan

Contractor	Schedule 70 Rate	BPA Rate	Range of Billed Rates
Contractor 1	\$25.00	\$25.00	\$20.00 - \$45.00
Contractor 2	\$23.17	\$23.17	\$10.00 - \$26.17
Contractor 3	\$36.00	\$23.00	\$18.00 - \$65.00
Contractor 4	\$35.25	\$35.25	N/A ³

The rate information in *Figures 1* and *2* indicate that the BPAs may not be providing customer agencies with best value and intended savings. In particular, we found:

- Significant variances in the BPA rates and the billed rates show that best value may not be achieved; and
- BPA rates equal to Schedule 70 rates may not provide best value to customer agencies.

Rate Variances

Figures 1 and *2* show that the BPA rates and the billed rates for the wireless plans varied significantly. In particular, BPA rates for one contractor are substantially higher than the other contractors. For example, for the 400 voice minute plan, Contractor 1 has a BPA rate of \$33.84. However, all other contractors’ BPA rates are under \$26.00. As a result, the BPA rate for Contractor 1 is at least 33 percent more than the other contractors. As shown in *Figure 2*, the variance of BPA rates for the unlimited data plan is even higher.

The variance for billed rates is even greater. For the 400 voice minute plan, the billed rates range from a low of \$6.53 to a high of \$46.51. For the unlimited data plan, the billed rates range from \$10.00 to \$65.00. Although volume discounts and other factors may have affected the lower range of the rates, the wide variation in the rates indicates that customers may not be achieving best value.

Additionally, as shown in *Figure 1* and *Figure 2*, the high end of the range of billed rates for both the 400 voice minute plan and the unlimited data plan exceed the BPA rates.⁴ For example, for the 400 voice minute plan, an ordering agency was billed \$46.51 while the BPA rate was \$25.36. This resulted in a billed rate that was 84 percent higher than the BPA rate. Based on communication with FAS officials, there is no review of data to identify BPA overbillings.

³ Contractor 4 had no sales under CLIN 1106 (unlimited data plan) during our audit time period.

⁴ Overbillings for CLIN 1004 and 1106 during our 1-year audit period totaled \$3,411.

BPA Rates Equal Schedule 70 Rates

Ordering agencies may not obtain increased savings when the BPA rate is the same as the Schedule 70 rate. Section 4.4, *Volume II: Price*, of the BPAs' Request for Quotations states that a contractor's BPA rate cannot exceed its Schedule 70 contract rate. As shown in *Figures 1* and *2*, the contractors were compliant for the two CLINs reviewed. However, in addition to charging the 0.75 percent Industrial Funding Fee, FAS assesses a 0.75 percent fee for all FSSI Wireless BPA purchases to cover the costs of the FSSI Wireless Program. Therefore, in instances where the BPA and Schedule 70 rates are identical and ordering agencies choose to purchase under the BPA, the agencies are not realizing increased savings from using the BPA.

For example, as shown above in *Figure 1*, Contractor 4 has the same rate for a 400 voice minute plan under both its BPA and Schedule 70 contract. During our audit period, 86 percent of the contractor's BPA sales were made at the BPA rate. Similarly, as shown above in *Figure 2*, three of the four BPA contractors had equal rates for both the BPA and Schedule 70 contracts for unlimited data plans. In these instances, ordering agencies are paying more in administrative fees using the BPA than they would through the Schedule 70 contract.

There are multiple steps that FAS can take to assist ordering agencies in realizing the intended benefits of the FSSI Wireless BPAs. FAS has an opportunity to address rate variances and BPA rates that equal Schedule 70 contract rates in their annual review conducted for each BPA. Under Federal Acquisition Regulation 8.405-3, these reviews are conducted to determine whether the schedule contract is still in effect and if the BPA represents best value. FAS should consider billed rates in evaluating current BPA rates during this annual review, as well as when awarding future wireless BPAs.⁵ When evaluating rates, FAS should also require that BPA rates be lower than Schedule 70 contract rates. Finally, FAS should implement controls to ensure that contractors are billing ordering agencies in compliance with the pricing terms of the BPAs. Taking these steps will assist ordering agencies in obtaining best value as intended by the FSSI Wireless Program.

Finding 2 – Some FSSI Wireless BPA deliverables were not provided in accordance with BPA terms and conditions, potentially impairing effective contract administration.

We found that several of the contractor-supplied BPA deliverables did not include required information or were not provided to the appropriate FAS personnel. Without accurate and complete deliverable information, effective contract administration could be impaired.

The BPAs' Request for Quotations requires contractors to provide five specific deliverables to FAS and ordering agency personnel. These deliverables include the Device Disposition Report,

⁵ According to OMB M-16-20, a new government-wide acquisition strategy for wireless devices and services is required by September 30, 2018.

Agency Billing Summary, Rate Plan Analysis Report, Transition Plan, and Program Management Plan. These deliverables provide FAS and ordering agency personnel with information that enables them to make informed decisions related to BPA administration, including BPA pricing reviews and monitoring of other terms and conditions.

We reviewed deliverables submitted for three of the four BPAs and found that the contractors were not providing all of the deliverables as required.⁶ Contractors did not provide required information for two of the five deliverables – the Agency Billing Summary and Program Management Plan. In addition, we found that the Device Disposition Report and Rate Plan Analysis Report were provided to ordering agency representatives but not provided to the appropriate FAS personnel as required. The Request for Quotations contradicts itself in some instances, when outlining which deliverables should be provided to whom. In addition, in some cases, the ordering agency may have benefitted from receiving the deliverables. However, providing this information solely to the ordering agency leaves FAS at risk of not having all the necessary information to make the most informed decisions as they relate to BPA administration.

FAS should review BPA deliverable requirements and make adjustments where necessary. FAS should also implement controls to ensure that the BPA deliverables include all required information and are provided to the required recipients.

⁶ During the audit, one of the four BPAs expired; therefore, we did not review the deliverables for this contractor.

Conclusion

We identified significant issues with the pricing and contract administration for the FSSI Wireless BPAs that need improvement. These issues involve variances in BPA rates and compliance with contract deliverables requirements. These deficiencies could cause the BPAs to fail to provide ordering agencies with best value, causing ordering agencies to overpay for services received in addition to impairing contract administration.

FAS should revisit current task order pricing and BPA deliverable requirements, while also looking ahead to future wireless service BPAs. FAS should also implement controls to identify and remediate overbillings.

Recommendations

We recommend the FAS Commissioner:

1. Use BPA task order prices to determine if the BPAs represent best value in FAS's annual rate review and require that BPA rates are lower than Schedule 70 contract rates.
2. Use BPA task order prices to assist in determining price reasonableness for any future wireless BPAs.
3. Implement controls to ensure that contractors are billing ordering agencies in compliance with the pricing terms of the BPAs.
4. Assess the BPA deliverable requirements to determine the most appropriate recipient(s) of the deliverable information.
5. Implement controls to ensure that all BPA deliverables include required information and are provided to the required recipients.

GSA Comments

The FAS Commissioner agreed with our recommendations. GSA's written comments are included in their entirety as **Appendix B**.

Auditor Response to GSA Comments

While the Commissioner of FAS agreed with our recommendations, GSA's written comments state that "minor adjustments to the methodology used in the data analysis [would have produced] a more accurate representation of results." The comments also state that the audit methodology "...did not account for the way outlier data skewed the overall result." We disagree. We analyzed the sales data as provided by FAS and accounted for appropriate outlier data. The data points that FAS referred to as outliers were overbillings – billings not in compliance with pricing terms of the BPA. As a result, these errors should not be eliminated as they are relevant to our audit objective and reportable as Finding 1, resulting in Recommendation 3. In accordance with audit standards, we designed the methodology to

obtain reasonable assurance that the evidence is sufficient and appropriate to support our findings and conclusions in relation to the audit objectives and to reduce audit risk to an acceptable level.

Audit Team

This audit was managed out of the Acquisition and Information Technology Audit Office and conducted by the individuals listed below:

Sonya D. Panzo	Associate Deputy Assistant Inspector General for Auditing
Michelle L. Westrup	Audit Manager
Shannon M. McKinzie	Auditor-In-Charge
Jessica E. Joy	Management Analyst

Appendix A – Scope and Methodology

Our audit evaluated FAS's administration of the FSSI Wireless BPAs.

To accomplish our objective, we:

- Reviewed BPA documentation for four contractors, including Request for Quotations and pricing tables;
- Reviewed sales data provided by FAS for the period May 1, 2015, through April 30, 2016, for four BPA contractors, with sales totaling approximately \$46 million. We judgmentally sampled the data based upon sales by CLIN.
 - Analyzed two services offered, a 400 minute voice plan and an unlimited data plan, which accounted for 55 percent of BPA sales during the audit period;
 - Ensured that the sampled BPA services were also offered on the respective contractors' Schedule 70 contracts;
- Reviewed relevant strategic sourcing directives and prior audit reports to evaluate how they affect the FSSI Wireless BPAs;
- Reviewed required deliverables for the three current BPA contractors for the period September 1, 2015, through October 31, 2016; and
- Held discussions with FAS personnel regarding the BPAs, including, but not limited to BPA award, administration, usage, and pricing.

We conducted the audit between February 2016 and February 2017 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.

Appendix B – GSA Comments



GSA Federal Acquisition Service

11 May 2018

MEMORANDUM FOR: Sonya D. Panzo
Associate Deputy Assistant Inspector General for Auditing
Acquisition and Information Technology Audit Office (JA-T)
Office of Inspector General

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

SUBJECT: Office of Inspector General (OIG) Draft Report A160063 - AUDIT
OF FAS's FSSI WIRELESS STRATEGIC SOURCING VEHICLE

Thank you for the opportunity to comment on the referenced report, based on an audit identified as part of your Fiscal Year 2015 Audit Plan. Provided herein is the response to the draft report's findings, including both general observations and responses to specific findings related to the Federal Strategic Sourcing Initiative (FSSI) Wireless Strategic Sourcing Blanket Purchase Agreements (BPAs). Much of the material is similar in content to the draft audit response provided by the FSSI Wireless Program and supporting documentation submitted in December 2017 "OIG Audit of FAS Wireless Federal Strategic Sourcing Initiative: Executive Update on FSSI Wireless Program Office Response". We have already acted on some of the identified recommendations. FAS appreciates you providing your findings early in the audit so we could act on them quickly.

While FAS agrees with the underlying recommendations in this report, we believe that minor adjustments to the methodology used in the data analysis will produce a more accurate representation of results. The OIG used a methodology that did not account for the way outlier data skewed the overall result.

Finding 1 – The FSSI Wireless BPAs may not provide ordering agencies with best value due to rate variances and BPA rates equal to Schedule 70 contract rates.

We acknowledge that there is variance in BPA rates at the billing level. The billing rates are indicators of the rates negotiated by contracting officers across government who competed their carrier agreements and issued task orders against the FSSI BPAs. In alignment with regulatory

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guidance, agencies can and do see discounts. The data collected from the FSSI Wireless BPAs informs agencies and increases price savings.

FAS provided the OIG with a significant amount of pricing data associated with the FSSI Wireless BPAs as they assessed 1,274,883 instances of pricing rated data. This data indicated that in 80.3-85.2% of the instances, pricing fell below the list price of the BPA. 14.8%-19.5% instances were at the list price and .002%-.2% of the instances were above the list price of the BPAs for Contract Line Item Numbers (CLINs) 1104 and 1106, respectively. This data is reflected within the ranges identified by the OIG.

The Audit states "FAS should consider billed rates in evaluating current BPA rates during this annual review, as well as when awarding future wireless BPAs. When evaluating rates, FAS should also require that BPA rates be lower than Schedule 70 contract rates. Finally, FAS should implement controls to ensure that contractors are billing ordering agencies in compliance with the pricing terms of the BPAs." We agree with these recommendations, and report that the controls requested by the OIG have been put into place as a result of this audit.

Finding 2 – BPA deliverables were not provided in accordance with BPA terms and conditions possibly impairing contract administration.

FAS appreciates and agrees with your recommendations related to BPA terms and requested information. We agree with the recommendation that "FAS should review BPA deliverable requirements and make adjustments where necessary. FAS should also implement controls to ensure that the BPA deliverables include all required information and are provided to the required recipients." The Contracting Officer Representative and Contracting Officer have started to take action to ensure the required information is collected and remains beneficial to agencies and the program office while ensuring contractual compliance.

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 or judith.zawatsky@gsa.gov.

Appendix C – Report Distribution

GSA Administrator (A)

Commissioner (Q)

Deputy Commissioner (Q1)

Chief of Staff (Q0A)

Program Analysis Officer (Q1A)

Assistant Commissioner, Office of Policy and Compliance (QV)

Financial Management Officer, FAS Financial Services Division (BGF)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

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