



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

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

Audit of Price Evaluations and Negotiations for Schedule 70 Contracts Report Number A150022/Q/T/P16005 September 28, 2016

Assignment Number A180066
June 18, 2018

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Introduction

We have completed an implementation review of the management actions taken in response to the recommendations contained in our September 28, 2016, audit report, *Audit of Price Evaluations and Negotiations for Schedule 70 Contracts*, Report Number A150022/Q/T/P16005 (see **Appendix A**).

Objective

The objective of our review was to determine whether the Federal Acquisition Service (FAS) has taken the actions as outlined in the corrective action plan for the *Audit of Price Evaluations and Negotiations for Schedule 70 Contracts*. To accomplish our objective we:

- Reviewed the audit report, *Audit of Price Evaluations and Negotiations for Schedule 70 Contracts*, Report Number A150022/Q/T/P16005;
- Examined documentation submitted by FAS to support completion of the corrective action plan steps;
- Performed limited testing of the implementation of the guidance and procedures contained in these supporting documents; and
- Corresponded with FAS personnel.

Background

The FAS Multiple Award Schedules 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 intent of the Multiple Award Schedules Program is to leverage the government's buying power in an effort to provide customer agencies with competitive, market-based pricing. 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.

FAS's General Purpose Commercial Information Technology Equipment, Software, and Services schedule (Schedule 70) offers information technology products and services. According to FAS officials, Schedule 70 is the largest acquisition vehicle in the federal government. Schedule 70 offers products and services to federal customer agencies, as well as state, local, and tribal governments through FAS's Cooperative Purchasing Program.

Federal Acquisition Regulation 15.4, *Contract Pricing*, outlines the methodology for contracting officers to establish price reasonableness. This methodology includes price analysis or cost analysis depending upon the specifics of the proposal. Federal Acquisition Regulation 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 or cost analysis.

On September 28, 2016, we issued an audit report, *Audit of Price Evaluations and Negotiations for Schedule 70 Contracts*, to the FAS Commissioner. The objective of the 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.

Our audit found:

- FAS Schedule 70 contracting officers did not consistently conduct negotiations with schedule contractors when awarding base contracts or options for extensions to obtain the best price possible.
- Contracting personnel did not consistently maintain award documentation in accordance with federal regulation and FAS policy. Specifically, contract files were missing key negotiation and price analysis documentation necessary for contract administration.
- A Schedule 70 contracting officer exercised an option that extended the contract beyond its 20-year limit.

To address the findings identified in our report, we recommended 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.

The FAS Commissioner acknowledged our audit report findings and recommendations.

Results

Our implementation review determined that FAS has taken appropriate corrective actions to address the recommendations. We determined that no further action is necessary.

Audit Team

This review was managed out of the Mid-Atlantic Region Audit Office and conducted by the individuals listed below:

Thomas P. Tripple	Regional Inspector General for Auditing
Susana Bandeira	Audit Manager
Robert N. Basile	Auditor-In-Charge

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005

(A150022/Q/T/P16005) Action Plan

Designated Responding Official: [REDACTED]
 Contact Person: [REDACTED]
 Telephone Number: [REDACTED]
 Date: November 3, 2016

A150022/Q/T/P16005 Audit of Price Evaluations and Negotiations for Schedule 70 Contracts	Recommendation 001	Proposed Recommendation Completion date (Month/Year) September 27, 2017
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Recommendation

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.

Action to be Taken Step by Step Enter each step to be taken to implement recommendation (Must be three numerical digits starting with 001 and will be continuous)	Supporting Documentation to be sent to H1G Enter the type of documentation that will be sent to confirm completion of each step	Documentation will be sent the last day of Enter the due date that each step will be completed by (Month/day/year)
001 IT Schedule 70 will review its current Contracting Operational Desk Guide to ensure that the responsibility of price negotiation at the time of base contract	Revised Contracting Operation Desk Guide; Pre/Price Negotiation Memorandum templates, Modification Guidance Package, and	March 31, 2017

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

<p>award and when exercising contract options for extensions is clearly defined.</p> <p>002 IT Schedule 70 will continue to negotiate offers and contract modifications in accordance with:</p> <ul style="list-style-type: none"> • Exercising Options Procurement Information Bulletin 97-9, • Evergreen Contracting for Multiple Award Schedule Contracts, and Quality Reviews Operational Notice 2011-004, • PAP 2016-10 Implementation of the Formatted Product Tool under the Federal Supply Schedule Program • PAP 2016-11 Transactional Data Reporting - Federal Supply Schedule Program Implementation • PAP 2015-01 Exercising the Option to Extend the Term of the Federal Supply Schedule (FSS) Contract • PIN 2015-05 Competitive Pricing Initiative and Memorandum for Record for Modification (template) • PIN 2013-03 Evaluation of Economic Price Adjustments Ensuring Best Value throughout the Contract Period • PIN 2013-02 Evaluating Federal Supply Schedules with Price Point 	<p>Quality Review Checklists accordingly</p> <p>Access at https://apps.fas.gsa.gov/newclausemanual/manual/index.cfm</p>	<p>September 27, 2017</p>
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Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

<ul style="list-style-type: none"> • PIN 2012-05 Use of Cost Analysis When Evaluating Federal Supply Schedule Offers • PIN 2012-04 Verification of Most Favored Customer (MFC) Pricing • PIN 2012-03 Economic Price Adjustments when a Vendor's Commercial Price List Contains Multiyear Pricing • PIN 2011-08, Negotiating Volume Discounts on Federal Supply Schedule (FSS) Contracts • PIN 2008-03 Negotiation and Execution of Multiple Award Schedule (MAS) Contract Modifications during the Evaluation and Execution of the Option to Extend the Term of the Contract • PIB 05-1, Achieving "Fair and Reasonable" Prices in MAS Negotiations 4. Other relevant information: such as dealers, distributors, resellers, etc. • PIB 04-8, Achieving "Fair and Reasonable" Prices in MAS Negotiations 3. Length of the contract period; Warranties, training, and/or maintenance; and Ordering and delivery practices 		
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Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

<ul style="list-style-type: none">• PIB 04-2, Achieving "Fair and Reasonable" Prices in MAS Negotiations 1. Most Favored Customer/GSA as Volume Purchaser• PIB 00-10, Fair and Reasonable Prices and the MAS Pricing Policy• PIB 97-9, Exercising Options• ON 2012-002 Quality Reviews• ON 2011-005 Guidance for the Pre-Negotiation Contract Panels (PNCP)• AO 2010-015 Pricing References		
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Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

(A150022/Q/T/P16005) Action Plan

Designated Responding Official: [REDACTED]
 Contact Person: [REDACTED]
 Telephone Number: [REDACTED]
 Date: November 3, 2016

A150022/Q/T/P16005 Audit of Price Evaluations and Negotiations for Schedule 70 Contracts	Recommendation 002	Proposed Recommendation Completion date (Month/Year) September 27, 2017
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Recommendation

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

Action to be Taken Step by Step Enter each step to be taken to implement recommendation (Must be three numerical digits starting with 001 and will be continuous)	Supporting Documentation to be sent to H1G Enter the type of documentation that will be sent to confirm completion of each step	Documentation will be sent the last day of Enter the due date that each step will be completed by (Month/day/year)
001 IT Schedule 70 will revise its Contracting Operational Desk Guide to include guidance on holding negotiations, as appropriate, (Including the determination of price reasonableness as defined in GSAR 538.271-1, Evaluation of offers without access to transactional date), at the	Issuance of revised Contracting Operation Desk Guide; Pre/Price Negotiation Memorandum templates, Modification Guidance Package, and Quality Review Checklists accordingly.	March 31, 2017

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

time of contract award. Additionally, IT Schedule 70 will continue to conduct training sessions around this topic to ensure consistency.	Additionally, a training plan and/or a listing of planned/held training dates will be developed to demonstrate completion of this action step.	
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(A150022/Q/T/P16005) Action Plan

Designated Responding Official: [REDACTED]
 Contact Person: [REDACTED]
 Telephone Number: [REDACTED]
 Date: November 3, 2016

A150022/Q/T/P16005 Audit of Price Evaluations and Negotiations for Schedule 70 Contracts	Recommendation 003	Proposed Recommendation Completion date (Month/Year) September 27, 2017
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Recommendation

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

Action to be Taken Step by Step Enter each step to be taken to implement recommendation (Must be three numerical digits starting with 001 and will be continuous)	Supporting Documentation to be sent to H1G Enter the type of documentation that will be sent to confirm completion of each step	Documentation will be sent the last day of Enter the due date that each step will be completed by (Month/day/year)
001 - IT Schedule 70 will issue a	Supplement to Operational Notice on	March 31, 2017

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

Supplement to Operational Notice (ON) 2012-002, Quality Reviews, to further expand on a risk-based approach for negotiating options for contract extensions.	Quality Reviews	
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(A150022/Q/T/P16005) Action Plan

Designated Responding Official: [REDACTED]
 Contact Person: [REDACTED]
 Telephone Number: [REDACTED]
 Date: November 3, 2016

A150022/Q/T/P16005 Audit of Price Evaluations and Negotiations for Schedule 70 Contracts	Recommendation 004	Proposed Recommendation Completion date (Month/Year) September 27, 2017
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Recommendation

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.

Action to be Taken Step by Step Enter each step to be taken to	Supporting Documentation to be sent to H1G	Documentation will be sent the last day of
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Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

implement recommendation (Must be three numerical digits starting with 001 and will be continuous)	Enter the type of documentation that will be sent to confirm completion of each step	Enter the due date that each step will be completed by (Month/day/year)
<p>001 IT Schedule 70 issued Operational Notice (ON) 2012-02, Quality Reviews, where the Branch Chief and/or designee is required to perform Quality Reviews of pre-award and post award actions to ensure "compliance, clarity and accuracy at all stages of procurement activity" and that the required documents are filed accordingly. As such, IT Schedule 70 will create a Supplement to the ON to address periodic reviews of this process by the newly-created IT Schedule Governance Division.</p>	<p>Supplement to Operational Notice on Quality Reviews</p>	<p>March 31, 2017</p>

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)¹

(A150022/Q/T/P16005) Action Plan

Designated Responding Official: [REDACTED]
 Contact Person: [REDACTED]
 Telephone Number: [REDACTED]
 Date: November 3, 2016

A150022/Q/T/P16005 Audit of Price Evaluations and Negotiations for Schedule 70 Contracts	Recommendation 005	Proposed Recommendation Completion date (Month/Year) September 27, 2017
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Recommendation

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

Action to be Taken Step by Step Enter each step to be taken to implement recommendation (Must be three numerical digits starting with 001 and will be continuous)	Supporting Documentation to be sent to H1G Enter the type of documentation that will be sent to confirm completion of each step	March 31, 2017
001 IT Schedule 70's Deputy Director, Contract Operations and the respective Division Director have, in coordination with the assigned contracting officer/contract specialist, reviewed and	For verification, please access ECMS on the following information per contract: Softmart (ZF0346.J) - Missing information in the "key documents" section of the PNO (if contract	Completed

¹ The corrective action plan provided to us did not include a "Page 9."

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

<p>ensured that the contracts that were missing documentation and/or signatures are now compliant.</p>	<p>was chosen for a preaward audit; if the contract was chosen for a PNCP; notice of substantial award; Trade Agreements Act statement)</p> <ul style="list-style-type: none"> - PNCP missing sections (negotiation objectives and rationale) - PNM missing info (government negotiator not listed) - Missing offer dated 10-16-13 that was used during negotiations (originally used with the Price Negotiation Memorandum) <p><u>Bart & Associates (ZF5924H)</u></p> <ul style="list-style-type: none"> - PNM not in ECF, but was found upon request <p><u>Teksavers (ZF295BA)</u></p> <ul style="list-style-type: none"> - Missing wage determinations (never submitted by the contractor) (Wage Determination not required; contract is for 132-8 and 132-9 only) <p><u>Booz Allen Hamilton, Inc (ZF0306J)</u></p> <ul style="list-style-type: none"> - Signature missing from the subcontractor plan - PNO missing info (executive summary, which would include a technical evaluation) - PNCP not in ECF, but was found upon request <p><u>Tapestry Technologies, Inc (ZF007BA)</u></p> <ul style="list-style-type: none"> - PNM not in ECF, but was uploaded 	
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Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

	upon request	
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Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

(A150022/Q/T/P16005) Action Plan

Designated Responding Official: [REDACTED]
 Contact Person: [REDACTED]
 Telephone Number: [REDACTED]
 Date: November 3, 2016

A150022/Q/T/P16005 Audit of Price Evaluations and Negotiations for Schedule 70 Contracts	Recommendation 006	Proposed Recommendation Completion date (Month/Year) September 27, 2017
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Recommendation

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

Action to be Taken Step by Step Enter each step to be taken to implement recommendation (Must be three numerical digits starting with 001 and will be continuous)	Supporting Documentation to be sent to H1G Enter the type of documentation that will be sent to confirm completion of each step	Documentation will be sent the last day of Enter the due date that each step will be completed by (Month/day/year)
001 The contract period of performance error identified during the audit was reviewed and it was determined that the contract did not exceed nor would not potentially exceed 20 years in accordance with FSS Online. The CO	Please see modification in Tab 40 in ECMS correcting the timeframe.	December 31, 2016

Appendix A – Corrective Action Plan for Report Number A150022/Q/T/P16005 (cont.)

inadvertently entered the wrong contract period on the SF-30 modification that did not align to the actual processed timeframe within FSS Online. The CO has processed a modification to correct this information.		
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Appendix B – Report Distribution

GSA Administrator (A)

Commissioner (Q)

Deputy Commissioner (Q1)

Chief of Staff (Q0A)

Assistant Commissioner, Office of Policy and Compliance (QV)

Program Analysis Officer (Q1A)

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)