



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

# FAS is Forfeiting Savings Identified in Preaward Audits of Multiple Award Schedule Contracts

Memorandum Number A200979  
April 22, 2020



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TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA *Carol Ochoa*  
INSPECTOR GENERAL (J)

SUBJECT: FAS is Forfeiting Savings Identified in Preaward Audits of Multiple Award  
Schedule Contracts  
Memorandum Number A200979

The purpose of this memorandum is to notify you that the Federal Acquisition Service (FAS) is not fully leveraging cost savings opportunities identified in preaward audits conducted by the Office of Inspector General (OIG). Currently, the OIG Office of Audits commits approximately 30 percent of its resources to conducting preaward audits of contracts awarded under the Multiple Award Schedule (Schedules) Program. FAS's failure to capitalize on opportunities for cost savings presented in preaward audit reports wastes critical audit resources and taxpayer dollars.

Under the Schedules Program, FAS establishes long-term, government-wide contracts from which millions of commercial products and services are made available to customer agencies. The intent of the Schedules Program is to leverage the government's buying power in an effort to provide customer agencies with competitive, market-based pricing. The Competition in Contracting Act of 1984 provides that procedures established under the Schedules Program are competitive as long as orders and contracts result in the lowest overall cost alternative to meet the government's needs. Further, FAS's pricing policy states, "Schedule contracts are negotiated to achieve the contractors' 'most favored customer' pricing discounts under similar conditions." In Fiscal Year 2019, sales under the Schedules Program were approximately \$33 billion.

At the request of FAS, pursuant to contract clauses 52.215-21 Alternate IV and 52.212-5(d)(1) Alternate II (GSAM 552.215-70), the OIG conducts preaward audits to assist contracting officers in negotiating schedule contracts. These audits are advisory and provide contracting officers with an evaluation of contractors' commercial customer pricing information, as well as a determination of whether contractors are in compliance with specific terms and conditions of their contracts. The recommended cost savings in our audit reports are based on significant sales data analyses that otherwise would not be available to contracting officers for

negotiations, such as detailed reviews of the contractor's sales and customer agreements. These analyses are provided to aid contracting officers in their decisions and to improve negotiation results in order to maximize cost savings for the government and taxpayers.

During the 3-year period April 1, 2016, through March 31, 2019, we issued 130 preaward audits with estimated sales of over \$27 billion for their pending contract periods. Of these audits, 84 included recommended price and discount adjustments that, if realized, would allow for \$1.1 billion in cost savings for the government and, ultimately, the taxpayer. As of February 2020, FAS has only sustained approximately 10 percent (\$113.6 million of the potential \$1.1 billion) of the potential cost savings identified in these 84 preaward audits, as presented in **Appendix A**. This is a decline from the 21.5 percent in sustained cost savings observed during the prior 3-year period ended March 31, 2016, which is indicative of a troubling downward trend.

We reviewed documents for contracts awarded during the review period to determine what contracting officers were using for the basis of their negotiations. We identified numerous instances where contracting officers relied on faulty pricing tools or unverified information, rather than preaward audit results, to make pricing determinations.<sup>1</sup> For example, on a projected \$2.3 billion contract, we found the proposed contract rates were overstated by an average of 31 percent, but the contracting officer negotiated a mere 1 percent discount improvement from the proposed rates based on an unsupported price analysis, which negated potential cost savings of \$124.7 million. Moreover, we found that FAS accepted the contractor's proposed pricing on 15 contracts, resulting in \$262 million in forfeited savings.

By not effectively using all of the negotiation tools available, contracting officers are failing to leverage the government's purchasing power. While we recognize that negotiations may not always yield the full amount of cost savings identified in our preaward audit reports, FAS's general disregard of preaward audit results wasted our audit resources and forfeited opportunities to save over \$900 million in taxpayer dollars.

For orders and contracts under the Schedules Program to be competitive, they must result in the lowest overall cost alternative to meet the government's needs. To meet this requirement, GSA should ensure that FAS contracting officers are effectively using preaward audit reports to negotiate competitive, market-based pricing that leverages the buying power of the federal government.

If you have any questions regarding this audit memorandum, please contact Barbara Bouldin, Deputy Assistant Inspector General for Acquisition Program Audits at (202) 273-7371.

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<sup>1</sup> *FAS's Use of Pricing Tools Results in Insufficient Price Determinations* (Report Number A180068/Q/3/P20002, December 23, 2019)

## Appendix A – Cost Savings for the Period April 1, 2016, through March 31, 2019

	Report Issuance Date	Recommended Cost Savings	Sustained Cost Savings	Percentage of Recommended Cost Savings Sustained
1	April 18, 2016	\$ 10,000,000.00	\$ 6,959,908.00	69.6%
2	April 22, 2016	\$ 5,452,876.00	\$ 0.00	0.0%
3	April 26, 2016	\$ 4,130,628.00	\$ 2,004,605.00	48.5%
4	May 23, 2016	\$ 5,228,203.00	\$ 0.00	0.0%
5	May 26, 2016	\$ 1,406,305.00	\$ 678,422.00	48.2%
6	June 24, 2016	\$ 21,362,079.00	\$ 8,623,246.00	40.4%
7	June 30, 2016	\$ 12,515,834.00	\$ 3,565,453.00	28.5%
8	July 15, 2016	\$ 1,202,906.00	\$ 776,350.00	64.5%
9	July 20, 2016	\$ 4,071,938.00	\$ 0.00	0.0%
10	July 27, 2016	\$ 2,792,548.00	\$ 0.00	0.0%
11	July 27, 2016	\$ 195,000.00	\$ 66,300.00	34.0%
12	August 3, 2016	\$ 99,029.00	\$ 0.00	0.0%
13	August 4, 2016	\$ 4,313,466.00	\$ 0.00	0.0%
14	August 5, 2016	\$ 3,866,095.00	\$ 325,931.00	8.4%
15	August 8, 2016	\$ 187,547,639.00	\$ 0.00	0.0%
16	August 19, 2016	\$ 2,000,000.00	\$ 68,480.00	3.4%
17	August 22, 2016	\$ 32,651,759.00	\$ 0.00	0.0%
18	August 29, 2016	\$ 4,433,964.00	\$ 4,481,610.00	101.1%
19	September 8, 2016	\$ 6,660,858.00	\$ 0.00	0.0%
20	September 13, 2016	\$ 9,199,127.00	\$ 0.00	0.0%
21	September 15, 2016	\$ 2,705,087.00	\$ 0.00	0.0%
22	September 29, 2016	\$ 1,704,743.00	\$ 0.00	0.0%
23	October 5, 2016	\$ 89,903,449.00	\$ 0.00	0.0%
24	October 5, 2016	\$ 1,131,288.00	\$ 39,585.00	3.5%
25	October 7, 2016	\$ 4,477,401.00	\$ 0.00	0.0%
26	October 11, 2016	\$ 110,793.00	\$ 0.00	0.0%
27	November 22, 2016	\$ 4,592,238.00	\$ 0.00	0.0%
28	November 30, 2016	\$ 3,642,602.00	\$ 0.00	0.0%
29	December 27, 2016	\$ 20,653,127.00	\$ 4,733,635.00	22.9%
30	January 4, 2017	\$ 8,800.00	\$ 8,800.00	100.0%
31	January 20, 2017	\$ 1,335,553.00	\$ 0.00	0.0%
32	January 24, 2017	\$ 1,152,057.00	\$ 0.00	0.0%
33	January 25, 2017	\$ 9,774,362.00	\$ 1,105,642.00	11.3%
34	January 30, 2017	\$ 15,000,000.00	\$ 9,629,707.00	64.2%
35	February 15, 2017	\$ 129,337.00	\$ 0.00	0.0%
36	February 17, 2017	\$ 23,384,335.00	\$ 13,153,683.00	56.2%
37	March 3, 2017	\$ 5,490,933.00	\$ 0.00	0.0%
38	March 17, 2017	\$ 990,100.00	\$ 742,575.00	75.0%
39	March 30, 2017	\$ 5,073,541.00	\$ 0.00	0.0%
40	April 5, 2017	\$ 2,674,200.00	\$ 1,002,168.00	37.5%

## Appendix A – Cost Savings for the Period April 1, 2016, through March 31, 2019 (cont.)

	Report Issuance Date	Recommended Cost Savings	Sustained Cost Savings	Percentage of Recommended Cost Savings Sustained
41	April 7, 2017	\$ 9,939,324.00	\$ 0.00	0.0%
42	April 11, 2017	\$ 655,927.00	\$ 0.00	0.0%
43	April 12, 2017	\$ 759,088.00	\$ 0.00	0.0%
44	May 17, 2017	\$ 14,336,050.00	\$ 0.00	0.0%
45	May 19, 2017	\$ 9,050.00	\$ 0.00	0.0%
46	July 13, 2017	\$ 10,917,983.00	\$ 0.00	0.0%
47	July 25, 2017	\$ 7,541,683.00	\$ 6,475,649.00	85.9%
48	August 2, 2017	\$ 1,541,270.00	\$ 601,348.00	39.0%
49	August 2, 2017	\$ 426,517.00	\$ 0.00	0.0%
50	September 7, 2017	\$ 3,567,800.00	\$ 2,736,502.00	76.7%
51	September 28, 2017	\$ 6,754,251.00	\$ 678,245.00	10.0%
52	September 28, 2017	\$ 1,383,199.00	\$ 12,201.00	0.9%
53	October 17, 2017	\$ 28,554,263.00	\$ 0.00	0.0%
54	November 16, 2017	\$ 6,373,040.00	\$ 0.00	0.0%
55	November 16, 2017	\$ 78,402,961.00	\$ 0.00	0.0%
56	December 21, 2017	\$ 385,862.00	\$ 0.00	0.0%
57	December 21, 2017	\$ 124,688,825.00	\$ 0.00	0.0%
58	December 28, 2017	\$ 15,940,465.00	\$ 1,760,738.00	11.0%
59	January 4, 2018	\$ 1,796,355.00	\$ 980,370.00	54.6%
60	February 16, 2018	\$ 54,812,486.00	\$ 15,131,039.00	27.6%
61	April 9, 2018	\$ 301,193.00	\$ 0.00	0.0%
62	April 18, 2018	\$ 500,180.00	\$ 0.00	0.0%
63	April 20, 2018	\$ 2,953,460.00	\$ 624,855.00	21.2%
64	May 11, 2018	\$ 12,488,815.00	\$ 0.00	0.0%
65	May 15, 2018	\$ 2,315,535.00	\$ 0.00	0.0%
66	May 22, 2018	\$ 5,977,381.00	\$ 0.00	0.0%
67	June 7, 2018	\$ 420,935.00	\$ 494,196.00	117.4%
68	June 8, 2018	\$ 10,619,884.00	\$ 6,315,788.00	59.5%
69	June 12, 2018	\$ 290,749.00	\$ 0.00	0.0%
70	June 18, 2018	\$ 4,352,374.00	\$ 400,047.00	9.2%
71	July 31, 2018	\$ 988,003.00	\$ 0.00	0.0%
72	September 5, 2018	\$ 14,541,946.00	\$ 0.00	0.0%
73	September 7, 2018	\$ 41,068,907.00	\$ 0.00	0.0%
74	October 25, 2018	\$ 21,602,266.00	\$ 0.00	0.0%
75	November 20, 2018	\$ 1,891,470.00	\$ 0.00	0.0%
76	December 7, 2018	\$ 4,242,325.00	\$ 0.00	0.0%
77	December 18, 2018	\$ 2,012,220.00	\$ 0.00	0.0%
78	January 7, 2019	\$ 36,262,082.00	\$ 0.00	0.0%
79	January 15, 2019	\$ 1,439,455.00	\$ 0.00	0.0%
80	February 5, 2019	\$ 17,844,297.00	\$ 0.00	0.0%

**Appendix A – Cost Savings for the Period April 1, 2016, through March 31, 2019 (cont.)**

	<b>Report Issuance Date</b>	<b>Recommended Cost Savings</b>	<b>Sustained Cost Savings</b>	<b>Percentage of Recommended Cost Savings Sustained</b>
<b>81</b>	February 7, 2019	\$ 2,790,720.00	\$ 0.00	0.0%
<b>82</b>	February 20, 2019	\$ 30,500,000.00	\$ 19,450,076.00	63.8%
<b>83</b>	March 7, 2019	\$ 1,556,935.00	\$ 0.00	0.0%
<b>84</b>	March 20, 2019	\$ 8,226,024.00	\$ 0.00	0.0%
	<b>TOTALS:</b>	<b>\$1,107,037,755.00</b>	<b>\$ 113,627,154.00</b>	<b>10.3%</b>

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## ***Appendix B – Memorandum Distribution***

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GSA Administrator (A)

GSA Deputy Administrator (AD)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

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

FAS Commissioner (Q)