

REVIEW OF THE GSA OCAO's
PROCUREMENT MANAGEMENT REVIEW PROCESS
REPORT NUMBER A080121/O/A/F09012

September 30, 2009



U.S. GENERAL SERVICES ADMINISTRATION
Office of the Inspector General

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Reply to
Attn of: Audit Manager, Acquisition Programs Audit Office (JA-A)

Subject: Review of the GSA OCAO's Procurement Management Review Process
Report Number A080121/O/A/F09012

To: Michael J. Robertson
Associate Administrator for the Office of Governmentwide Policy and
Chief Acquisition Officer (M)

The report presents the results of our review of the GSA Office of the Chief Acquisition Officer's (OCAO's) Procurement Management Review (PMR) Process. During this review, which preceded the August 19, 2009 realignment of the OCAO and the Office of Governmentwide Policy, we found that the PMR Process has contributed to the improvement of compliance with federal acquisition laws and regulations and internal procurement policy. We also found opportunities to strengthen the effectiveness of the PMR Program by leveraging limited resources and implementing further process improvements.

Written comments provided by your office have been included in their entirety in Appendix B of this report.

I would also like to express my appreciation to your staff for their assistance during this review. If you have any questions regarding this report, please contact me on (703) 603-0189.

A handwritten signature in cursive script that reads "James P. Keegan".

James P. Keegan, CPA, CFE
Audit Manager
Acquisition Programs Audit Office (JA-A)

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EXECUTIVE SUMMARY

Purpose

The purpose of this review was to determine whether the Procurement Management Reviews (PMRs) are effective in identifying and communicating compliance issues to improve Contracting Officer performance in complying with federal acquisition laws and regulations, and if not, to determine the cause(s). This review was also to determine if the OCAO has a mechanism for measuring the effectiveness of PMRs.

Background

The General Services Administration (GSA) Office of Chief Acquisition Officer (OCAO) is charged with strengthening the acquisition activities of GSA so that GSA can provide customers with acquisition support while emphasizing compliance, ethics, and integrity in contracting. In 2004, the OCAO created its PMR Division and initiated PMRs. The PMR Division coordinates with agency professionals from various acquisition specialty areas within GSA to conduct periodic peer reviews of GSA contracting activities and make recommendations to management for improvement.

The PMR Division follows up on management action plans and compiles and analyzes data from its peer reviews. The specifics surrounding these activities have evolved as the PMR program has matured and attempted to meet the requirements posed by changes in the acquisition environment.

As client agencies place reliance on GSA's acquisition expertise to assist in achieving their missions, it is imperative that GSA's acquisition programs are operated efficiently, effectively, and in compliance with applicable regulations. The PMR Program, if conducted effectively, can assist in providing this assurance and further the benefit it currently provides to acquisition personnel and management throughout GSA.

Subsequent to our review, on August 11, 2009, GSA Order ADM 5440.621 realigned the Office of the Chief Acquisition Officer and the Office of Governmentwide Policy into the Office of Acquisition Policy.

Results in Brief

The OCAO's PMR Program has contributed to the improvement of compliance with federal acquisition laws and regulations and internal procurement policy. The PMR Division continues to refine its processes to incorporate efficiencies as well as changes in the acquisition environment. Our review found opportunities to strengthen the

effectiveness of the PMR program by leveraging limited resources and implementing further process improvements.

The PMR Division has developed a tool to assist in evaluating contracting activity performance and refinements to it are ongoing. The continuing evolution of the PMR process and the qualitative aspects of PMRs have complicated the development of this tool, but the PMR Division has made improvements and these efforts continue. We found opportunities to improve and supplement this tool, potentially improving its reliability and enhancing its use as a performance measure and for trend analysis.

Recommendations

We recommend that the Chief Acquisition Officer:

1. Implement program improvements including:
 - a. utilizing a broad risk-based approach across contracting activities and modifying the contract sampling process to obtain a higher level of assurance
 - b. enhancing communication and feedback to ensure wide dissemination of best practices
 - c. pursuing focused reviews when appropriate
 - d. making improved use of the Internal Control and Audit Division (BEI) Audit Tracking System (BATS) to track implementation of management action plans.
2. Continue efforts to improve the Outcome Analysis Tool and refine its usage to enhance quantification and trend analysis of PMR results by:
 - a. assessing measures currently tracked to ensure they capture of critical elements of acquisition
 - b. incorporating refinements to the PMR process and checklists to promote standardization of data capture
 - c. supplementing with other performance indicators or forms of evaluation as appropriate
3. Continue current Office of Management and Budget (OMB) Circular A-123 implementation efforts, integrating where possible with our prior recommendations to leverage limited PMR resources.

Management Response

Management generally agrees with the findings in this report and indicates that steps to implement recommendations cited in the report are already underway. Management comments are included in their entirety as Appendix B to this report.

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INTRODUCTION

Background

The Office of the Chief Acquisition Officer (OCAO) is charged with strengthening the acquisition activities of the General Services Administration (GSA) so that GSA can provide its customers with the acquisition support they need while emphasizing compliance, ethics, and integrity in contracting. In 2004, the OCAO created its Procurement Management Review (PMR) Division and initiated Procurement Management Reviews (PMRs) as required by the “Get it Right” Program¹. The PMR Program mission includes providing:

- Assistance to improve operational efficiency and effectiveness in acquisition;
- Evaluation of the procurement process, achievement of GSA acquisition mission and goals;
- Assessment of compliance with statutory, regulatory, and internal policy on procurement; and,
- On-site management consulting service on procurement issues.

To achieve this mission, the PMR Division coordinates with acquisition, contracting, and agency professionals from various acquisition specialty areas within GSA to conduct periodic peer reviews of GSA contracting activities. Contract actions are sampled, reviewed, and results are reported to management. Management is given an opportunity to comment on the report and provide action plans for implementation of recommendations. The PMR Division follows up on action plans and compiles and analyzes data from its peer reviews. The specifics surrounding these activities have evolved as the PMR program has matured and attempted to meet the requirements posed by changes in the acquisition environment.

One such change resulted from a Memorandum of Agreement (MOA) between GSA and the Department of Defense (DoD) entered into in December 2006. This MOA contained 24 action items to address various concerns found during a joint DoD/GSA Office of Inspector General (OIG) review of the GSA Client Support Centers (CSCs). One of these action items required GSA to “use its PMRs to review and identify deficiencies and areas of weakness as identified in DoD and GSA IG reports”. Refer to Appendix A-1 for a listing of the acquisition elements of concern detailed within these reports.

¹ In 2004, GSA launched the “Get it Right” Program in order to help minimize improper acquisition practices. One of the action items of the “Get It Right” Program was the establishment of the PMR program, for the purpose of reviewing all GSA contracting offices on a regular basis.

More recently, in 2008 the Office of Management and Budget (OMB) issued OMB Circular A-123, "Management's Responsibility for Internal Control" that requires federal agency managers to continuously monitor and improve the effectiveness of internal controls associated with their programs. The Office of Federal Procurement Policy (OFPP) provided further guidance on OMB Circular A-123 by issuing "Guidelines for Assessing the Acquisition Function." These guidelines are designed to assist federal managers in improving the accountability and effectiveness of federal acquisition programs and operations by establishing, assessing, correcting, and reporting on internal control. In response to A-123 and the related OFPP guidance on its implementation, the PMR Division conducted an extensive analysis of its peer review process and is implementing some modifications to its activities to ensure the components and issues related to acquisition assessment (cornerstones, elements, and critical success factors identified by this guidance) are included and assessed in the PMR process.

As client agencies place reliance on GSA's acquisition expertise to assist in achieving their missions, it is imperative that GSA's acquisition programs are operated efficiently, effectively, and in compliance with applicable regulations. The PMR Program, if conducted effectively, can assist in providing this assurance and further the benefit it currently provides to acquisition personnel and management throughout GSA.

Subsequent to our review, on August 11, 2009, GSA Order ADM 5440.621 realigned the Office of the Chief Acquisition Officer and the Office of Governmentwide Policy into the Office of Acquisition Policy.

Objectives, Scope, and Methodology

Our objectives were to answer the following questions:

- To what extent are the Program Management Reviews (PMRs) effective in identifying and communicating compliance issues to improve Contracting Officer (CO)² performance in complying with federal acquisition laws and regulations? If improvements are not being made, what is the cause?
- Does the OCAO have a mechanism for measuring the effectiveness of PMRs over time?

We focused our review primarily on PMRs and reports completed in Fiscal Year (FY) 2008.

To accomplish these audit objectives, we:

- Reviewed GSA policies and procedures, applicable Federal Acquisition Regulations, and related public laws.

² The PMRs are intended to improve the performance of the acquisition workforce. Among the positions that the GSA OCAO has defined as being included in the acquisition workforce are all GS Series 1102s, 1105s, and 1106s, all COs regardless of Series, and all GS 1170s performing acquisition related work. For the purposes of this report, we will use terms "acquisition personnel" or CO(s) to refer to these positions.

- Examined audit reports from GSA and the Government Accountability Office.
- Evaluated data from the Federal Procurement Data System-Next Generation (FPDS-NG).
- Reviewed and evaluated PMR reports and internal documentation - including checklists and the PMR Outcome Analysis Tool - and contract award data provided by the PMR office.
- Interviewed cognizant program officials within the PMR Division and OCAO.
- Interviewed acquisition personnel³ from the regions reviewed in FY 2008 as well as from Central Office. These personnel were from the Federal Acquisition Service (FAS) and the Public Buildings Service (PBS).

The audit was performed during the period February 2008 through June 2009. This review was conducted 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 observations based on our audit objectives.

³ These interviews also included various levels of acquisition operational management.

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RESULTS OF AUDIT

Brief

The OCAO's PMR Program has contributed to the improvement of compliance with federal acquisition laws and regulations by acquisition personnel at GSA. The extent of this improvement is difficult to quantify as much of the PMR evaluation is qualitative in nature, and the PMR Division continues to refine its evaluation process. Additionally, the relatively recent nature of the PMR Program, and changes to it driven by requirements such as those in OMB A-123, have limited the number of follow up reviews and associated comparable data for trend analysis. Our review did find opportunities to strengthen the effectiveness of the PMR program by leveraging limited resources and implementing improvements to its processes.

The PMR Division has made strides in developing an evaluation instrument, the "Outcome Analysis Tool", to measure the effectiveness of its reviews over time. For an instrument of this type to be effective, it must provide valid and reliable measures on relevant indicators of performance. The PMR Division has faced challenges in developing this tool to track the performance of individual contracting activities and capture overall Agency progress on issues previously identified within GSA's CSCs. However, the PMR Division has made improvements to enhance data collection, and its efforts to improve the Outcome Analysis Tool are ongoing. We found opportunities to improve and supplement this tool, potentially improving its reliability and enhancing its use as a performance measure and for trend analysis.

Improvements have been Made in Contracting Officer Performance, but Opportunities Exist for Further Advancement

The PMR program has had a positive effect on GSA acquisition activities and continues to address the objectives of the "Get it Right" Program as well as concerns outlined in the December 2006 DoD/GSA MOA. Our review of PMR report recommendations, associated management action plans and implementation activities, as well as our interviews of acquisition personnel have led us to conclude that improvements have been made in contracting officer performance. We recognize that the PMR program continues to evolve, and as it does, opportunities exist to further the strides that the PMR Division has already made in their mission to assist GSA acquisition centers with improving their operational efficiency and effectiveness. These opportunities include better leveraging of limited resources and making improvements to the review process itself to further enhance PMR mission achievement.

Extending Limited Resources

When the PMR program was first established, its program goals included performing a peer review of every contracting activity on an annual basis. Due to resource constraints, the PMR Division reduced the number of reviews, and the current goals include conducting these peer reviews bi-annually. In Fiscal Year (FY) 2008, the PMR Division conducted peer reviews on approximately 225 FAS and PBS contracts, which represents a small percentage of the total number of contract actions for PBS and FAS. While the PMRs are a valuable resource to GSA, and the PMR Division has recently added resources, it does not have the capacity to review a representative sample of the total number of contract actions.

The PMR Division may be able to better leverage available resources and provide additional assistance to higher risk contracting activities by adopting a broader risk-based approach when planning overall peer review schedules, contract action sampling, and the type or depth of peer review. The PMR Division could then schedule a contracting activity assessed at a higher risk for annual or more frequent peer reviews, while an activity assessed as lower risk could be scheduled for reviews on a multi-year cycle. A number of possible factors could be assessed as a part of this approach including:

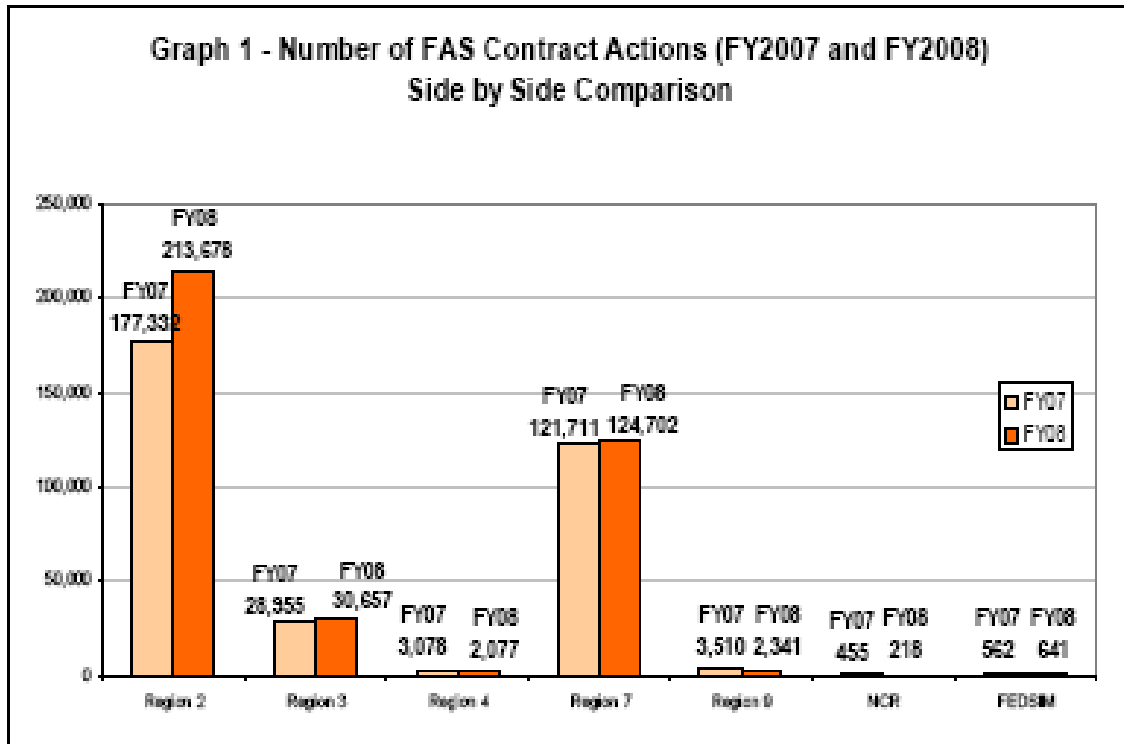
- Business volume
- Business cycles (i.e. periods of peak activity)
- Past performance in PMRs or OIG reviews
- The existence of effective internal review processes in activities

Business Volume

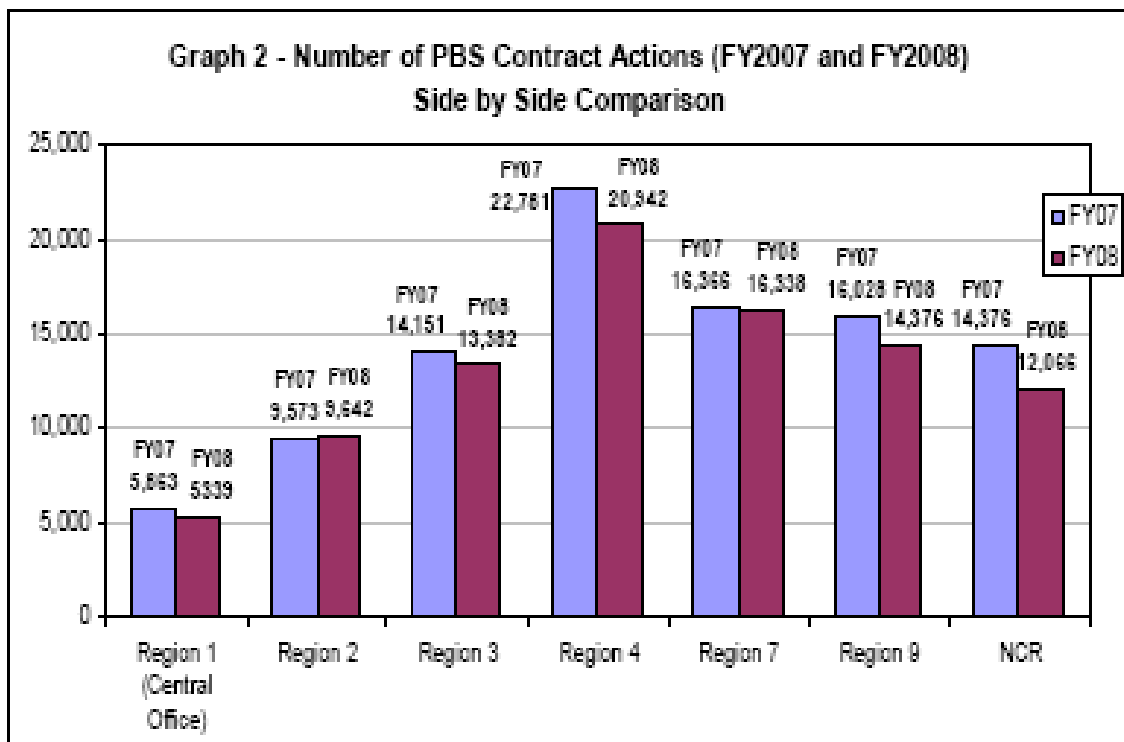
The current goal of the PMR Division is to conduct peer reviews of contracting activities bi-annually. There may be benefits to adjusting this biannual cycle due to the business volume and associated risk of reviewed activities.

We performed an analysis of data within the FPDS–NG in order to evaluate the business volume and trends in terms of the number of contract actions and the corresponding dollar amounts in several regions. We focused our analysis on contract data from regions that underwent a PMR in FY 2008. Those regions are identified in the graphs that follow.

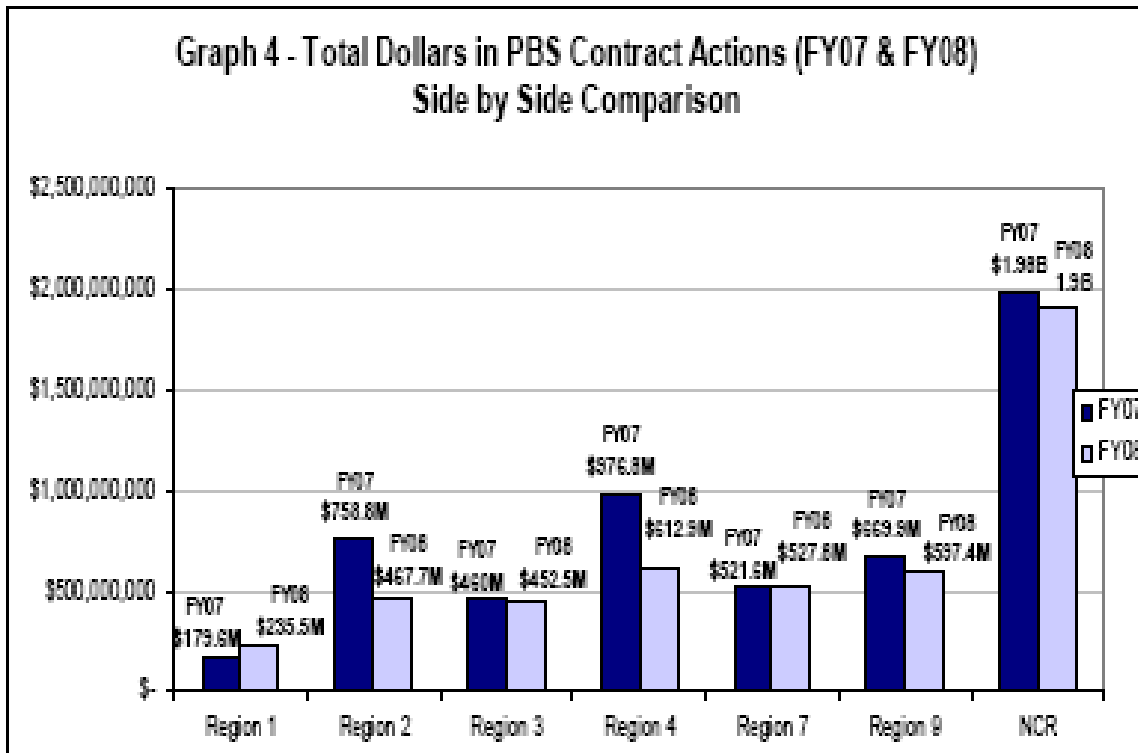
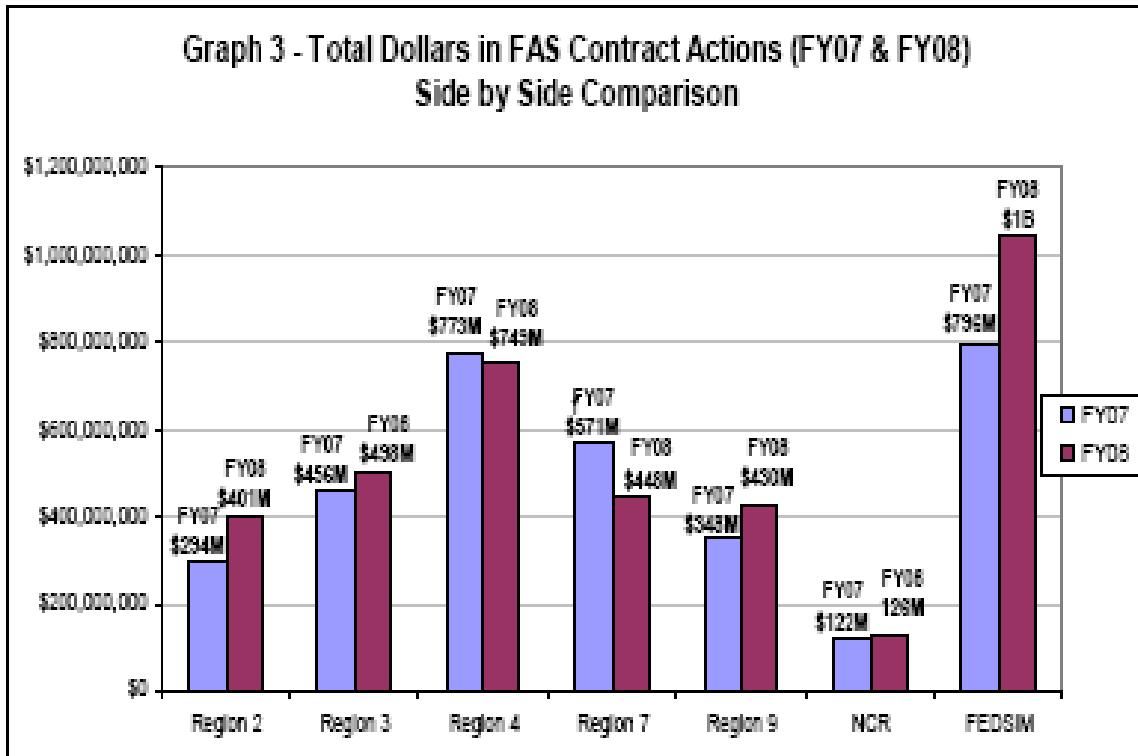
As demonstrated by Graph 1 on the following page, in both FY 2007 and FY 2008 there was wide variation in the number of contract actions from region-to-region for FAS, and this variation was fairly constant across fiscal years. The distribution of this activity among the regions also remained fairly constant across fiscal years.



Graph 2 below illustrates similar characteristics in activity variation and distribution for PBS by region.



Graphs 3 and 4 below show similar variations and fiscal year trends in the total dollar value of contract actions from region-to-region for both FAS and PBS.



The fairly constant data trends illustrated by these four graphs indicate potential benefits in terms of both improved coverage of contracting activities by PMRs, and in better overall use of PMR resources by adjusting the frequency of reviews by business volume of activities rather than maintaining the current two year rotation with similar numbers of contracts selected for review from every region. The PMR Division could further adjust for business volume variations by increasing or decreasing the numbers of contract actions that the PMR teams review at specific activities. Regardless, if the PMR Division includes this type of broad-based business volume assessment across regions as a part of their regular planning process, it may enable more effective use of resources.

Business cycles

As a part of its review process, the PMR team must determine the universe of contract actions from which to select a sample for its peer review of a particular contracting activity. To do this, the PMR team obtains a listing of contract data from a specific period of time, usually a recent quarter of the fiscal year. From our review of FPDS-NG data we found that, in addition to the differences in regional business volume discussed above, levels of activity from quarter-to-quarter fluctuated greatly within each region. For instance, the fourth quarter of the Fiscal Year had the greatest number of contract actions for the FAS regional offices that underwent a PMR in FY 2008. In contrast, the second quarter typically had the largest number of actions for the PBS activities that were reviewed during this same timeframe.

The PMR division should select a universe for sampling that minimizes the risk of inadvertently excluding an inordinate number of contract actions for potential review due to an activity's business cycle. Further, since there is additional risk during periods of higher business activity due to the increased demands this workload places on acquisition personnel, systems, etc., the PMR division should consider expanding and/or adjusting the period from which they determine their sampling universe, so as to better address these risks.

Past performance in PMR reviews or OIG audits

When the PMR team completes its peer review of a contracting activity, it issues a report to management that discusses strengths and any areas requiring improvement that the team found; if necessary, the report also includes recommendations for implementation. During subsequent reviews, the PMR team conducts follow-up steps to assess whether any previously identified concerns still exist. This information from prior reviews could also be used during PMR planning. Specifically, if a contracting activity has demonstrated during prior PMRs that it had no areas (or a small number of isolated minor instances) requiring improvement, the PMR Division could extend the period until this activity's next review was necessary or limit the scope of the review to select areas of concern. Conversely, prior PMR reviews that detected systemic or pervasive concerns may indicate the need for more frequent reviews.

This same principle can be extended to include consideration of OIG audits during the PMR planning process. The December 2006 DoD/GSA MOA already tasks the PMR Program to review and identify deficiencies and areas of weakness in the subject OIG CSC reports (Appendix A), and current GSA OIG internal audit reports are available on the Agency's website for the PMR Division to review. The concept of considering a contracting activity's past performance in either PMR reviews or OIG audits is congruent with our discussions with FAS and PBS personnel, during which they indicated that the frequency with which an activity undergoes a PMR should be influenced by whether or not that activity is experiencing difficulties meeting their performance goals.

Effective internal review processes

Our discussions with FAS and PBS acquisition personnel revealed that some contracting activities conduct their own internal contract reviews. If these internal contract reviews are conducted effectively, the PMR Division may be able to place some degree of reliance upon their results. If so, these internal contract reviews may provide a mechanism to leverage the resources of the PMR Program by permitting extension of time intervals between PMR reviews of these activities and/or by permitting reviews with a narrowed scope or targeted, in-depth assessments of specific areas. The PMR Division should consider the existence, quality, and results of these internal reviews when assessing risk during their planning process.

Other considerations

There are other factors the PMR Division may consider incorporating into a broad, risk-based approach when planning frequency of site visits and/or the depth of their reviews. These include significant workload or personnel changes in or between contracting activities, transfers of contracts or Multiple Award Schedules with associated contracts, and changes in technology used by acquisition personnel or in the marketplace itself.

Improvements to the Review Process

The PMR process has evolved since its inception and will continue to evolve as efficiencies in processes are realized. During our review we noted additional practices that the PMR Division could implement to improve efficiency and effectiveness of the current PMR Program. These include modifying the contract sampling process to obtain a higher level of assurance, enhancing communication and feedback at both the individual contracting activity review level and Agency levels, pursuing more focused reviews when appropriate, and making improved use of a current system to ensure implementation of management action plans.

PMR Division should re-evaluate method for obtaining data universe

When determining the universe of contract actions from which to select a sample for its peer review, the PMR team relies on data provided by the Assisted Acquisition Services (AAS) and/or PBS along with data from FSS-19. At the outset of the PMR Program, the

PMR teams obtained the universe of contracts actions for sampling solely from FPDS-NG and/or FSS-19. However, the PMR Division found that these systems were not consistently updated with contract information in a timely manner, and that data entered into the system was not always reliable. Therefore, current guidance in the PMR Manual instructs the lead of the PMR team to email a request to the regional acquisition executive for a list/report from the most recent fiscal year quarter of all awards made above the simplified acquisition threshold (over \$100,000), for FAS and PBS.

We have two concerns with this methodology. One is the risk to GSA if contracting activities are not properly using the appropriate agency systems to manage and roll up their data. The second is that the reviewed activity could submit a list of contract actions that is not complete, resulting in the possibility that high-risk contract actions might not be selected for review. The list submitted by a contracting activity could be incomplete due to a variety of factors including simple oversight or delayed contract data entry into the system.

These risks could be reduced by requesting access to the original data source from which the point-of-contact obtained the contract action list. The original data source could be confirmed as appropriate and then utilized to confirm that the list, or universe, of contract actions submitted for sample selection was complete before the PMR team's site visit. Additionally, prior to PMR team's visit to the contracting activity during the subsequent review cycle, the PMR team could reproduce the contract award list from its previous review to verify that all major contract awards had been included and were not overlooked for sample consideration due to timeliness of data entry or other issue.

Communication and feedback

There are opportunities to expand communication and feedback at all levels within the PMR Program to enhance the sharing of best practices and/or issues of concern. PMR communication we noted at the organizational level during the period of our review was primarily focused between the region under review and the PMR team, with very little higher level communication cross-cutting across contracting activities or regions. While our review noted frequent examples of solid communication, we also found opportunities for improvement at the level of the acquisition personnel responsible for contract files.

A focused effort should be made on broadening communication related to best practice sharing so that contracting activities can learn, adopt, and benefit from best practices developed by other areas. Additionally, areas of concern could be rolled up and summarized periodically for dissemination so that the benefit of this knowledge is realized by all activities without attribution. The PMR Division is in a prime position to facilitate this type of communication and help create a culture for sharing knowledge and improving acquisition practices.

Informal best practice sharing has been underway since the PMR program inception. Volunteers provided by PBS and FAS from various regions and acquisition centers to

serve on the PMR teams indicated that their experiences while conducting peer reviews of other areas have led them to bring best practices back to their work places. This informal methodology speaks to the benefit of continuing to develop and expand the pool of volunteers that the PMR Division draws from to build its peer review teams.

The PMR Guide states that the PMR team will be “Conducting open forum during the week of review with all 1102s to discuss current issues in acquisition, trends, upcoming changes etc.” Our interviews with acquisition personnel frequently indicated solid communication, such as at the conclusion of some peer reviews when the results were summarized and provided to all the acquisition personnel at the contracting activity. However, during several of our interviews, acquisition personnel responsible for specific contract files that had been reviewed stated that communication between them and the PMR team had been inconsistent or did not take place. In some of these cases, a designated point-of-contact for the reviewed activity answered questions that the PMR team had concerning contract files, only involving the responsible acquisition personnel if they could not answer specific questions. In a few cases the acquisition personnel responsible for the contract file under review informed us that they had no knowledge that a PMR even took place.

Although some acquisition personnel are benefitting from the PMR team’s direct interaction and instruction on existing issues or concerns, others may not be getting needed guidance. The PMR Division should emphasize to their review teams, as well as to the contracting activities under review, the importance and benefits of direct communication between the PMR team and the activity’s acquisition personnel responsible for the files under review. In this manner those personnel will have the opportunity to determine specific areas where they are exhibiting best practices or where improvement is needed.

Narrowed scope reviews

The PMR Division’s reviews have tended to be broad and all-encompassing in nature with more of a focus on contract file documentation than on in-depth of analyses of particular acquisition issues. This tendency appears to have resulted from limited resources and early program efforts focused on contract file documentation. As the PMR program continues to evolve and mature, the PMR Division is attempting to bring a greater depth of analysis to the peer review process. Additionally, current PMR Program efforts to implement OMB A-123 with related OFPP guidance should assist in establishing the scope of PMRs.

Much of the broad nature of the PMR scope was the result of early drivers of the program, such as the “Get it Right” Program and the December 2006 DoD/GSA MOA. However, the PMR Division should consider performing reviews - or components within reviews - with a more focused or limited scope, specifically in areas identified where the contracting activities need the most assistance. As discussed above, results and findings from past reviews could be utilized to determine risk or problem areas for these more focused reviews. Additionally, conducting some PMRs with a more focused scope

may permit the PMR Division to dedicate fewer personnel than traditionally required for PMR reviews, potentially freeing resources for other PMR efforts.

In those regions that have digitized contract file documents, preliminary contract review could be performed off-site allowing for more on-site focus on areas of concern identified through this preliminary review. PMR staff indicated that in FY 2009, after the period of our review, they began to review electronic copies of contract file documents in the IT-Solutions Shop (ITSS) system prior to site visits. We encourage the increased use of this capability. However, since all regions do not recognize ITSS as the official contract file, PMR teams who employ this technique will need to perform on-site testing to confirm documents within ITSS match those in the official contract file.

A higher level of assurance of action item implementation is possible via improved use of the BEI Audit Tracking System

The BEI Audit Tracking System (BATS) is an application that supports the operations of GSA's Internal Control and Audit Division (BEI). The PMR Division currently uses this system in support of its Program and inputs documents from its reviews into it. Among the items we noted in BATS were PMR reports linked to associated recommendations and management action items uniquely coded by the PMR Division to enhance tracking. However, our review of these documents revealed that the documents loaded into BATS do not always indicate whether the action items have been adequately addressed and closed out. Including documentation confirming close out would better utilize BATS and enhance assurance that the benefits intended to be realized from PMR recommendations are achieved.

A Tool to Measure PMR Effectiveness Exists but could be Improved

The PMR Division utilizes an assessment instrument called the "Outcome Analysis Tool" to assist in evaluating contracting activity performance and the effectiveness of PMRs. For an assessment instrument to be effective, it must provide valid and reliable measures on relevant indicators of performance. The ongoing evolution of the PMR process and the qualitative aspects of PMRs have complicated the selection, quantification, and evaluation of performance measures. We identified opportunities to improve and supplement this tool to enhance its use as a performance measure and for trend analysis, and we noted that the PMR Division's efforts to incorporate requirements of OMB A-123 have addressed, or begun to address, many of these issues.

PMR Key Performance Measures need to be revised and clarified

In FY 2006, the PMR Division identified six key performance measures (PM) and began tracking them through the use of the Outcome Analysis Tool constructed using Microsoft Excel. These performance measures are:

- Percentage of contract files that contain appropriate documentation (PM # 1)
- Percentage of contract files with completed acquisition plans (PM # 2)

- Percentage of contract files with evidence of appropriate competition or justification and approval (PM # 3)
- Percentage of tasks awarded in scope of the appropriate GWAC or Schedule (PM # 4)
- Percentage of contract files with adequate best value determination (PM # 5)
- Percentage of service task orders that are performance based (PM # 6)

Of the 14 acquisition elements in the December 2006 DoD/GSA MOA resulting from the CSC reviews (See Appendix A-1), four clearly align with performance measures used by the PMR Division for reviews as shown in the following table:

Table 1 – CSC Acquisition Elements and Related PMR Performance Measures

Acquisition Element from CSC Reviews	Related PMR Performance Measure
Acquisition Plans	Percentage of Contract Files with Completed Acquisition Plans (PM # 2)
Section 803 Compliance	Percentage of Contract Files with Evidence of Appropriate Competition or Justification Approval (PM # 3)
Scope of Work	Percentage of tasks awarded in scope of the appropriate GWAC or Schedule (PM # 4)
Best Value Determination	Percentage of contract files with adequate best value determination (PM # 5)

Many of the remaining acquisition elements could be summarized under PM #1, "Percentage of contract files that containing appropriate documentation". However, since documentation requirements differ by contract type subject to the PMRs, the value of this summary of information for comparison or trend analysis provided by PM # 1 is unclear.

We did not identify any of the 14 acquisition elements that directly correspond to PM # 6, "Percentage of service task orders that are performance based". However, given that the Office of Federal Procurement Policy (OFPP) considers performance based acquisition the Government's preferred approach for acquiring services, inclusion of this as a key performance measure is appropriate.

Initially, these performance measures were established for the purposes of assessing the effectiveness of the PMR Division's performance. However, the PMR Division determined that the measures within the Outcome Analysis Tool were more appropriate for evaluating the performance of the contracting activities than the PMR Division itself. The PMR Division is currently reevaluating its key performance measures, and the elements that comprise them, as a part of its ongoing program evolution and OMB A-123 efforts. This effort includes the development of a summary report with a plan to establish a baseline of performance measures with which to track progress moving forward.

PMR Division management has stated that efforts to address OMB Circular A-123 requirements have facilitated its ability to provide an organization-level or entity-level

view of GSA's acquisition performance. We commend the PMR Division's initiatives in this area and believe it appropriate to ensure that the measures selected and utilized provide value when tracked over time and that essential acquisition elements appropriately represented in these measures.

Alignment of PMR checklist elements and key performance measures could be improved

Data required for input to the Outcome Analysis Tool is captured during the contract review process by use of checklists by the PMR team. Three checklists were developed by PMR Division for use during contract reviews:

- Federal Acquisition Service (FAS) Assisted Acquisition Service Review Worksheet
- Federal Acquisition Service (FAS) Multiple Award Schedule Contract Review Checklist
- Public Buildings Service (PBS) Contract Review Checklist

Each of these checklists includes, among other elements, the relevant acquisition elements from the December 2006 DoD/GSA MOA. In addition to these elements, all three checklists have a summary section that allows the reviewer to document, through a Yes/No/Non-applicable (N/A) response, whether the contract file has succeeded or failed to meet each of the six key performance measures discussed above. We noted, however, that the checklists are not structured to indicate which acquisition elements relate to each key performance measure. Inconsistent rollup of checklist elements may, in turn, affect the quality of the data that feeds the Outcome Analysis Tool making an accurate assessment or trend analysis of contracting activity performance difficult.

We have noted that using structured checklists with hierarchical, topical grouping of elements promotes consistency in evaluation during our peer reviews of other OIGs. Absent a similar structure for PMR checklists, we are concerned that essential elements may not be consistently included in the key performance measure pass/fail determination. As the PMR Division revamps performance measures in use, consideration should also be given to aligning review checklist elements to these performance measures to promote consistency of assessment and quality of data.

Trend analysis could be improved by supplementing the Outcome Analysis Tool

As previously discussed, PMR Division began using the Outcome Analysis Tool to track performance measures in FY 2006. As the PMR Division completed their reviews for FY 2007 and FY 2008, the accumulated performance results were also incorporated into the tool with the goal of performing trend analysis. In addition to the issues related to data inconsistencies discussed earlier in this report, the PMR Division has noted that the performance measure figures for trend analysis in the tool are based upon the premise that things remained equal each fiscal year and that the PMR Division reviewed the same locations every year.

Because the PMR Division has adjusted their schedule to reviewing activities on a biannual basis, annual performance measure data is not reflective of improvements or declines in performance from the same contracting activities as it was at the inception of the PMR program. In addition, the sample sizes and mixes of contracts reviewed from fiscal year to fiscal year may change depending on the region reviewed and resources available to the PMR team. As the performance measure results for all regions are aggregated into one overall GSA score per performance measure, the rolled-up results can result in an inaccurate representation of GSA's acquisition strengths and weaknesses.

To obtain a more accurate picture of performance trends, the PMR Division should consider supplemental methods to support trend analysis. As part of the current PMR process, the PMR Division revisits areas of concern identified during prior reviews. Each report contains a condensed outline, by review year, of prior observations and whether those observations are still occurring. The PMR Division could quantify these observations, assess trends, and utilize this information as a supplement to the Outcome Analysis Tool. Also, as it relates directly to a center or region, the conclusions derived from tracking these issues would not be affected if the given region is not visited annually or if the number of contracts in the sample size varies by review.

Conclusion

The OCAO's PMR Program has contributed to acquisition efficiency and effectiveness, as well as to the improvement of compliance with federal acquisition laws and regulations and internal procurement policy. The PMR Division continues to refine its evaluation process to incorporate efficiencies as well as changes driven by requirements such as those in OMB A-123. Our review found opportunities to strengthen the effectiveness of the PMR program by leveraging limited resources and implementing further improvements to its processes.

The PMR Division has developed the Outcome Analysis Tool to assist in evaluating contracting activity performance and trend analysis over time. The ongoing evolution of the PMR process and the qualitative aspects of PMRs have complicated the development of this tool, but the PMR Division has made improvements and its efforts to improve the Outcome Analysis Tool are ongoing. We found opportunities to improve and supplement this tool, potentially improving its reliability and enhancing its use as a performance measure and for trend analysis.

We noted that the PMR Division's efforts to satisfy the requirements of OMB A-123 and associated OFPP guidance have addressed, or begun to address, a number of the issues noted in this report.

Recommendations

We recommend that the Chief Acquisition Officer:

1. Implement program improvements including:
 - a. utilizing a broad risk-based approach across contracting activities and modifying the contract sampling process to obtain a higher level of assurance
 - b. enhancing communication and feedback to ensure wide dissemination of best practices
 - c. pursuing focused reviews when appropriate
 - d. making improved use of the Internal Control and Audit Division (BEI) Audit Tracking System (BATS) to track implementation of management action plans.

2. Continue efforts to improve the Outcome Analysis Tool and refine its usage to enhance quantification and trend analysis of PMR results by:
 - a. assessing measures currently tracked to ensure they capture of critical elements of acquisition
 - b. incorporating refinements to the PMR process and checklists to promote standardization of data capture
 - c. supplementing with other performance indicators or forms of evaluation as appropriate

3. Continue current Office of Management and Budget (OMB) Circular A-123 implementation efforts, integrating where possible with our prior recommendations to leverage limited PMR resources

Management Comments

Management generally agrees with the findings in this report and indicates that steps to implement recommendations cited in the report are already underway. Management comments are included in their entirety as Appendix B to this report.

Internal Controls

We performed a limited assessment of controls relevant to the PMR process and provided recommendations to strengthen and improve the current practices as discussed in the Results of Review and Recommendations sections.

Appendices

REVIEW OF THE GSA OCAO'S
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APPENDIX - A

Acquisition Elements Reported in Department of Defense (DoD)
and General Services Administration (GSA) Inspector General Reports

The General Services Administration (GSA) and the Department of Defense (DoD), in December 2006, developed a Memorandum of Agreement (MOA) that identifies the roles and responsibilities of “each respective agency in terms of providing services or in using the services provided.” The MOA included a plan with action items that outlined the agencies’ respective roles in the agreement. One of the action items in the plan was for GSA to “use its PMRs to review and identify deficiencies and areas of weakness as identified in DoD and GSA IG reports”. We reviewed several DoD and GSA reports⁴ that identified those areas of weakness. The problems presented in the reports included the following fourteen elements of concern:

- Section 803 Compliance
- Legal Review required for procurements exceeding \$5 million
- Interagency Agreements
- Best Value Determination
- Determinations and Findings, and Ceiling Price, for Time & Materials Contracts
- Request for Discounts for Purchases Above Maximum Order Threshold
- Proposal Evaluations
- Acquisition Plans
- Scope of Work
- Quality Assurance Surveillance Plan
- Evaluation of Other Direct Costs
- Proper Use of Funds
- Anti-Deficiency Act (ADA) and
- Modifications to Existing Orders

⁴ COMPENDIUM OF AUDITS OF FEDERAL TECHNOLOGY SERVICE CLIENT SUPPORT CENTER CONTROLS (Report) Dated: September 29, 2006

COMPENDIUM OF AUDITS OF THE FEDERAL TECHNOLOGY SERVICE REGIONAL CLIENT SUPPORT CENTERS (Report) Dated: DECEMBER 14, 2004

AUDIT OF FEDERAL TECHNOLOGY SERVICE'S CLIENT SUPPORT CENTERS REPORT NUMBER A020144/T/5/Z04002 Dated: JANUARY 8, 2004

Department of Defense Inspector General Report: Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies Dated: January 2, 2007

Department of Defense Inspector General Report: FY 2005 DoD Purchases Made Through the General Services Administration (D-2007-007) Dated: October 30, 2006

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APPENDIX – B


Management Comments



GSA Office of Governmentwide Policy

SEP 29 2009

MEMORANDUM FOR KENNETH L. CROMPTON
DEPUTY ASSISTANT INSPECTOR GENERAL FOR
ACQUISITION AUDITS (JA-A)

FROM: MICHAEL J. ROBERTSON 
ASSOCIATE ADMINISTRATOR FOR THE OFFICE OF
GOVERNMENTWIDE POLICY AND CHIEF ACQUISITION
OFFICER (M)

SUBJECT: Review of and Comments on the Office of Acquisition Policy,
Center for Program Management Review Process
Draft Report Number A080121

Thank you for the opportunity to review and provide comments on the subject draft report. The open communication from your office and the professionalism of your staff made the review process a positive experience.

The Center for Procurement Management Review generally agrees with the findings in this report. It confirms that the Center for Procurement Management Review is on the right path and is addressing many of the findings noted. Steps to implement recommendations cited in the report are already underway.

Please see specific responses to the recommendations contained in the draft report provided in the attached document.

Attachment

cc: Mr. David A. Drabkin, Senior Procurement Executive
Mr. Joseph A. Neurauter, Director, Acquisition Integrity Division
Mr. David B. Kimbro, Director, Center for Procurement Management Review

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
www.gsa.gov

***Review of and Comments on the Office of Acquisition Policy
Center for Program Management Review Process
Draft Report Number A080121
Summary Response to the Draft Report***

The Center for Program Management Review (Center) welcomes the recommendations made by the Office of Inspector General (OIG) – Acquisition Programs Audit Office (JA-A). The Center will continue its transformation efforts and build on the progress noted in your draft report. As stated in the report section “Objectives, Scope, and Methodology,” the OIG’s review primarily focused on the reviews and reports completed in Fiscal Year (FY) 2008. This document identifies many of the changes the Center has made since FY 2008, as well as addressing OIG recommendations.

1. OIG Recommendations and Center Responses:

Implement program improvements including:

- a) Utilizing a broad risk-based approach across contracting activities and modifying the contract sampling process to obtain a higher level of assurance
- b) Enhancing communication and feedback to ensure wide dissemination of best practices
- c) Pursuing focused reviews when appropriate
- d) Making improved use of the Internal Control and Audit Division (BEI) Audit Tracking System (BATS) to track implementation of management action plans.

Center Response to Item a:

The Center concurs with this recommendation. In FY 2009, the Center instituted a limited risk-based approach to select Federal Acquisition Service (FAS) contract actions for review.

The following criteria were used as the bases for identifying contract action sampling:

- Results of past reviews
- Areas identified in the Memorandum of Agreement (MOA) between GSA and the Department of Defense (DOD), dated December 2006
- OIG, DOD, and Government Accountability Office (GAO) audit reports
- Information based on interviews with acquisition/program management personnel to determine key acquisition areas considered high risks

The Center increased the data universe for contract reviews starting from the beginning of the previous fiscal year up to the date of notification of review. In addition, the Center has worked closely with the Federal Acquisition Service (FAS) to gain access to all applicable acquisition systems to select the data universe.

In FY 2010, The Center will expand this risk-based approach to the Public Buildings Service (PBS) and Multiple Award Schedule contract actions.

Center Response to Item b:

The Center concurs with this recommendation and has been proactive in improving its communication and feedback to the acquisition community.

In response to Office of Federal Procurement Policy (OFPP) Guidance, *Conducting Acquisition Assessments under OMB Circular A-123 (May 21, 2008)*, GSA modified its Senior Assessment Team (SAT) Charter to include representation from GSA's Chief Acquisition Officer (CAO) and FAS and PBS Senior Acquisition Leadership. This change was significant as it ensured that entity level acquisition assessments and PMR results would be communicated to GSA Senior Leadership throughout the Agency.

The FY 2009 A-123 report was released to the SAT on July 28, 2009. By reporting to the SAT, the Center provided high level visibility of the entity level acquisition assessments and the results of the FY 2009 Procurement Management Review (PMR) cycle. Reporting to the SAT ensures the widest possible dissemination of both reports using a top-down approach. The Center will continue this approach for future reporting requirements.

Center Response to Item c:

In FY 2009, the Center began performing "focused" reviews based on relevant DOD and GAO audit reports on GSA acquisition practices, as well as requests from GSA Senior Leadership (FAS, PBS, and Acquisition Policy). The Center will continue performing "focused" reviews in addition to PMR's based on the following criteria:

- Requests from Senior Leadership
- Results of past reviews (PMR, OIG and GAO)
- GAO Studies and Legal Opinions on Federal Contracting (e.g., high risk acquisition topics)
- Implementation of new or amended acquisition laws, regulations, policies, etc.
- Complexity of acquisition process and/or programs
- New technology or information systems (increase electronic reviews)
- Volume of Transactions (number, dollars)

Center Response to Item d:

The Center will continue improving use of the Internal Control and Audit Division (BEI) Audit Tracking System (BATS) to track implementation and completion of management action plans.

2. OIG Recommendation and Center Response:

Continue efforts to improve the Outcome Analysis Tool and refine its usage to enhance quantification and trend analysis of PMR results by:

- a) assessing measures currently tracked to ensure they capture critical elements of acquisition
- b) incorporating refinements to the PMR process and checklists to promote standardization of data capture
- c) supplementing with other performance indicators or forms of evaluation as appropriate

Center Response to Recommendation Number 2:

The Center requested, in its FY 2011 budget, funding to build a sustainable analysis tool to more effectively and efficiently capture, monitor, and manage critical elements of the acquisition process and key risks areas identified during PMR's. The analysis tool will provide the flexibility necessary to produce a myriad of trend and comparative analysis reports. In addition, the tool will provide the Center with a more efficient process for promoting standardization of data captured, increasing reliability of compiled data, and reducing redundancy. Until implementation of the requested analysis tool, the Center will continue the arduous process of capturing critical acquisition data manually.

3. OIG Recommendation and Center Response:

Continue current Office of Management and Budget (OMB) Circular A-123 implementation efforts, integrating where possible with our prior recommendations to leverage limited PMR resources.

Center Response to Recommendation Number 3:

The Center for Procurement Management Review is excited to build on the successes achieved during our first year of A-123 implementation. In FY 2010, we will continue to phase in risk based approaches to increase the numbers of actions reviewed, target specific issues and maximize resources.

REVIEW OF THE GSA OCAO'S
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APPENDIX C

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