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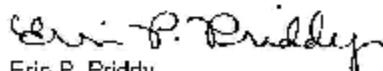
Reply to  
Attn of: Audit Manager, Acquisition Programs Audit Office (JA-A)

Subject: Review of the Use of Multiple Award Schedule Contracts for Acquisition Management Support Services, Report Number AIG0018/Q/A/P10009

To: Steven J. Kempf  
Commissioner, Federal Acquisition Service (Q)

This report presents the results of the Review of the Use of Multiple Award Schedule (Schedules) Contracts for Acquisition Management Support (AMS) Services. The Federal Acquisition Service's (FAS's) Management Services Center (MSC) approved the addition of AMS services to the Mission Oriented Business Integrated Services (MOBIS) Schedule in April 2007. While the MSC has created instructions to assist ordering agencies in mitigating the risks associated with AMS services, the MSC could improve the instructions by placing more emphasis on measures that address the leading causes of risk and increasing the awareness of the instructions. In addition, the MSC should develop and implement a plan to monitor the ordering instructions to provide assurance that the guidance effectively assists agencies in diminishing the threats frequently linked with AMS services. Further, we noted that the current FAS process for making changes to the Schedules program, including introducing new products and services, does not require a risk assessment. Lastly, we found in fiscal years 2007 and 2008, federal agencies reported ordering \$111.6 million in contract, procurement, and acquisition support services from Schedules contracts, some of which are outside the scope of the Schedules program. Therefore, FAS should assess the extent to which out of scope work is occurring on the Schedule contracts and implement corrective measures.

We included in Appendix A of this report your written comments to this report. I would like to thank your staff for their assistance during this review. If you have any questions regarding this report, please contact me on (816) 926-8610.

  
Erin P. Priddy  
Audit Manager  
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REVIEW OF THE USE OF MULTIPLE AWARD  
SCHEDULE CONTRACTS FOR ACQUISITION  
MANAGEMENT SUPPORT SERVICES  
REPORT NUMBER A090018/Q/A/P10009

August 17, 2010

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**EXECUTIVE SUMMARY**

**Purpose**

We performed this review to determine if the General Services Administration's (GSA's) policies and procedures are adequate to mitigate the risks associated with procuring Acquisition Management Support (AMS) services through the Multiple Award Schedule (Schedules) Program. We focused on the controls the Federal Acquisition Service (FAS) created for customer agencies ordering AMS services on the Mission Oriented Business Integrated Services (MOBIS) Schedule.

**Background**

FAS approved the addition of AMS services to the MOBIS Schedule in April 2007. Proper management of these services is essential to mitigate risks associated with contractors providing these services, including contractors performing inherently governmental functions and conflicts of interest. In June 2007, the U.S. House of Representatives Committee on Oversight and Government Reform raised concerns to GSA about the decision to offer AMS services due to the increasing presence of contractors performing government contract oversight and management. To address these concerns, FAS's Management Services Center (MSC) created ordering instructions for agencies seeking to obtain these services under MOBIS Schedule contracts. The instructions outline policies and procedures that agencies can implement to reduce the risks associated with these services.

**Results in Brief**

While the MSC has created instructions to assist ordering agencies in mitigating the risks associated with AMS services, the MSC could improve the instructions by placing more emphasis on measures that address the leading causes of risk. The MSC should also increase awareness of the instructions. In addition, the MSC should develop and implement a plan to monitor the ordering instructions to provide assurance that the guidance effectively assists agencies in diminishing the threats frequently linked with AMS services. Further, we noted that the current FAS process for making changes to the Schedules Program, including introducing new products and services, does not require a risk assessment. A risk assessment is an important tool to identify the potential consequences of making changes to the Program and should be part of this process.

Lastly, in fiscal years 2007 and 2008, federal agencies reported ordering \$111.6 million in contract, procurement, and acquisition support services from Schedules contracts, some of which are outside the scope of the Schedules Program.<sup>1</sup> Utilizing contractors to order goods and/or services outside the scope of their contracts circumvents competition requirements and violates the terms and conditions of the contracts. As a result, the Government may not have received the best value for these services. In addition, agencies that order AMS services on unauthorized Schedule contracts may not be exposed to the MOBIS ordering instructions designed to mitigate risk. Therefore, FAS should assess the extent to which out of scope work is occurring on the Schedule contracts and implement corrective measures.

## **Recommendations**

We recommend that the Commissioner of the Federal Acquisition Service:

1. Add to the *Special Ordering Instructions for MOBIS Acquisition Management Support* (a) the *Sample Acquisition Management RFQ* [Request for Quote] developed by FAS's Center for Innovation for Acquisition Development or similar document that exemplifies a well-defined statement of work and (b) language to emphasize the importance of periodic training for government employees to properly manage contractors performing AMS services.
2. Fully implement the marketing and business development efforts outlined in the MOBIS Schedule *SIN* [Special Item Number] *874-6 Business Case Analysis* to ensure the widest communication of the *Special Ordering Instructions for MOBIS Acquisition Management Support*.
3. Develop and implement a plan to monitor the *Special Ordering Instructions for MOBIS Acquisition Management Support* to assure the instructions are effective in helping agencies mitigate risk.
4. Include in the update of the process for making changes to Schedule Program offerings the requirement for acquisition centers to perform a risk assessment when making changes to the Schedules Program. This requirement should include procedures for developing control activities to mitigate risk as necessary.
5. Assess the extent to which agencies are improperly using Schedule contracts to order AMS services and implement corrective action. The corrective action should include guidance to customer agencies on the proper use of Schedule contracts.
6. Assess the extent to which Schedule contractors are improperly providing AMS services and take corrective action. The corrective action should include guidance to contractors on what services are appropriate for the Schedule.

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<sup>1</sup> www.fpds.gov, query of Product and Service Code R707 data (December 2008).

## **Management Comments**

The Commissioner of the Federal Acquisition Service concurred with our findings and recommendations. Appendix A of this report contains the Commissioner's comments in their entirety.

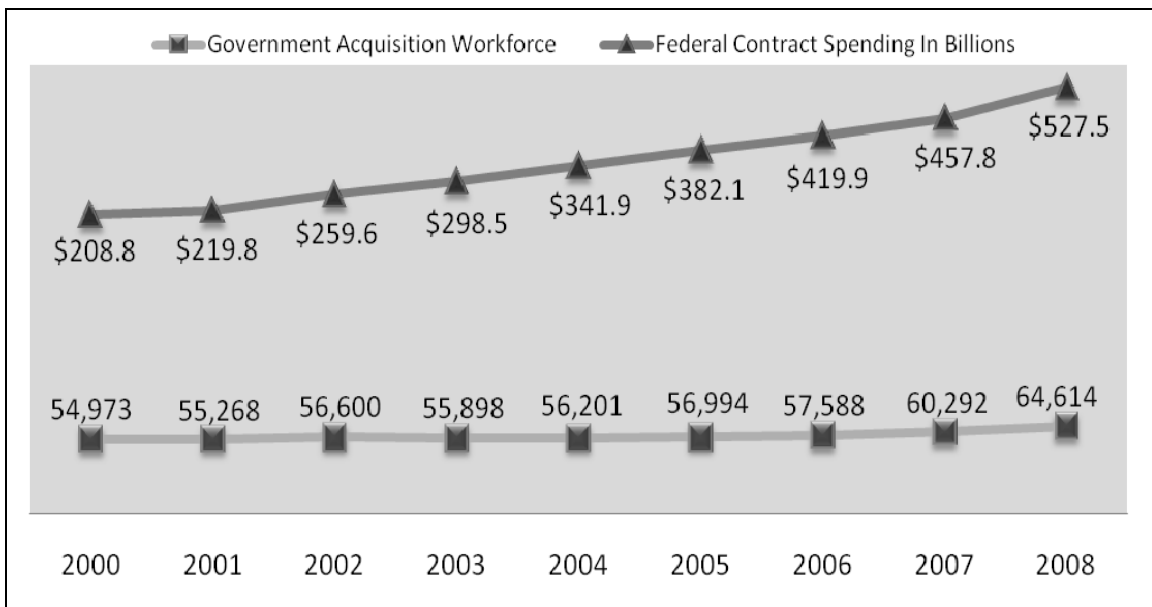
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SCHEDULE CONTRACTS FOR ACQUISITION  
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**INTRODUCTION**

**Background**

As government contract spending has risen, the federal acquisition workforce has remained relatively static. Increasingly, federal agencies have turned to private contractors to supplement their acquisition workforces. As shown in Exhibit 1, federal spending on contracts increased by 153 percent between fiscal years (FYs) 2000 and 2008.<sup>2</sup> During the same period, the federal acquisition workforce increased by only 18 percent, leaving 64,614 acquisition professionals to award and administer contracts valued at \$527.5 billion in FY 2008.

***Exhibit 1: Comparison of the Federal Acquisition Workforce to Contract Spending***



To bridge the gap, agencies spent approximately \$500 million in FY 2007 and \$600 million in FY 2008 for acquisition support services.<sup>3</sup> The use of contractors for these services carries an increased risk, particularly as it relates to contractors performing inherently governmental functions and the potential for conflicts of interest. As a result,

<sup>2</sup> www.fedspending.org (February 2010) and Federal Acquisition Institute, *FY 2008 Annual Report on the Federal Acquisition Workforce*. Acquisition workforce totals do not include contracting officer's technical representative and acquisition program and project professionals, as that data was not available prior to 2008.

<sup>3</sup> www.fpds.gov, search of FYs 2007 & 2008 Product/Service Code R707 - contract, procurement, and acquisition support services data (October 2009).

federal agencies must be aware of these risks and take necessary preventative measures to mitigate risk.

The General Services Administration's (GSA's) Mission Oriented Business Integrated Services (MOBIS) Schedule 874 offers a full range of management and consulting services that agencies can order directly from Multiple Award Schedule (Schedules) contractors. In April 2007, GSA's Federal Acquisition Service (FAS) approved the addition of Acquisition Management Support (AMS) services to the MOBIS Schedule. In June 2007, however, the U.S. House of Representatives Committee on Oversight and Government Reform raised concerns about FAS's decision to offer these services through the Schedules Program. The committee expressed trepidation about the increasing presence of contractors in government contract oversight, in part due to reports of conflicts of interest and inefficient contract management during the reconstruction of Iraq.<sup>4</sup>

To address these concerns, FAS's Management Services Center (MSC), which administers the MOBIS Schedule, developed guidance (herein referred to as the Special Ordering Instructions) for the proper use of the MOBIS Schedule for AMS services. The Special Ordering Instructions include strategies to reduce the risks associated with these services.

AMS services under the MOBIS Schedule include:

- Acquisition planning assistance, including market research and procurement strategy;
- Acquisition document development, including cost/price estimates, quality assurance surveillance plans, statements of work, synopses, solicitations, price negotiation memoranda, etc;
- Expert assistance in supporting proposal evaluations, including price/cost analysis or technical proposal analysis;
- Contract administration support services, including assistance with reviewing contractor performance, developing contract modifications, and investigating reports of contract discrepancies; and
- Contract close-out assistance.

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<sup>4</sup> United States House of Representatives Committee on Government Reform, *Contractors Overseeing Contractors: Conflicts of Interest Undermine Accountability in Iraq* (May 2004).



## **Objectives, Scope, and Methodology**

The objectives of this review were to answer the following questions:

1. Are GSA's policies and procedures adequate to mitigate the risks associated with procuring AMS services through the Multiple Award Schedule Program?
2. If not, what are the potential consequences of improper use of these contracts?
3. If the consequences are significant, what are the causes?
4. Additionally, what policies and procedures can GSA implement to reduce the risks associated with using contractors for this type of work?

We performed the following steps to answer our objectives:

- Reviewed relevant policy and guidance, including the Federal Acquisition Regulation (FAR); the Competition in Contracting Act of 1984; the Office of Management and Budget (OMB) policy and guidance; GSA Acquisition Letter V-09-01; GSA's Missions, Values, and Goals; GSA's Strategic Plan for FY 2007 through FY 2012; and the National Defense Authorization Act for FY 2005;
- Reviewed relevant audit reports from GSA's Office of Inspector General (OIG), the U.S. Government Accountability Office (GAO), and the U.S. House of Representatives Committee on Government Reform;
- Reviewed the *FY 2008 Annual Report on the Federal Acquisition Workforce* by the Federal Acquisition Institute;
- Reviewed the *Internal Controls at the General Services Administration Desk Guide* and GAO's *Standards for Internal Control in the Federal Government* dated November 1999;
- Met with FAS management officials;
- Reviewed a sample of MOBIS Schedule Special Item Number (SIN) 874-6 contracts;
- Reviewed the *Acquisition Management Support Ordering Guide*, the *Special Ordering Instructions for MOBIS Acquisition Management Support Services*, and the *Sample Nondisclosure Statement, Acquisition Support Services* developed by the MSC;
- Reviewed GSA's policy and guidance related to adding new services to the Schedules Program;
- Met with Schedule contractors offering AMS services; and
- Reviewed a sample of Information Technology Schedule 70 (IT Schedule) task orders and met with a sample of IT Schedule contractors related to these task orders.

We focused this review on the controls the MSC developed for AMS services on the MOBIS Schedule. Because of the limited amount of AMS services sales against the MOBIS Schedule at the time of our review, we did not perform substantive testing on

task orders to evaluate control compliance. However, during our review we learned that FAS's Center for Innovation for Acquisition Development awarded Blanket Purchase Agreements (BPAs) for AMS services against MOBIS Schedule contracts. We assessed the controls FAS implemented over the use of the BPAs and whether FAS planned and executed the BPAs in accordance with the FAR and the American Recovery and Reinvestment Act of 2009 requirements. The results of our assessment are contained in report number A090018/Q/A/P10002, *Review of the Federal Acquisition Service Blanket Purchase Agreements for Acquisition Management Support Services* issued March 30, 2010.

We conducted the review from October 2008 through May 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

REVIEW OF THE USE OF MULTIPLE AWARD  
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**RESULTS OF REVIEW**

**Brief**

The use of contractors for AMS services exposes the Government to serious risks, including conflicts of interest and contractors performing inherently governmental work. To protect the public interest, it is critical for agencies to carefully consider these risks and take preventative measures. The MSC created Special Ordering Instructions with information essential to averting the dangers commonly associated with procuring AMS services. However, the MSC should enhance the instructions by placing more emphasis on measures that address the leading causes of risk associated with these services. In addition, the MSC should fully communicate the Special Ordering Instructions to provide greater assurance that agencies take preventative measures when acquiring AMS services on the MOBIS Schedule. Further, the MSC should develop and implement a plan to monitor the Special Ordering Instructions to determine whether the guidance is effective in assisting agencies to diminish the threats frequently linked with AMS services.

In addition, we noted that the FAS process for making changes to the Schedules Program, including introducing new products and services, does not include a risk assessment. A risk assessment is important to identifying weaknesses and helps to establish controls necessary to achieving agency objectives for the Schedules Program. FAS is considering updating these procedures and should require acquisition centers to assess risk prior to proposing changes to the Schedules Program.

Lastly, in FY 2007 and FY 2008, agencies reported acquiring \$111.6 million in contract, procurement, and acquisition support services under FAS's Schedules Program. The large majority of these orders were placed under the IT Schedule. A limited review of a sample of IT Schedule orders indicated that the work included AMS services, which are not within the scope of the IT Schedule. We believe that an overly broad definition of the SIN under which agencies placed the orders may have been a contributing factor. The procurement of products and services outside the scope of Schedule contracts violates competition requirements and contract terms and conditions. Further, agencies ordering AMS services outside the MOBIS Schedule may not be privy to the Special Ordering Instructions FAS developed to assist agencies in mitigating risks associated with AMS services. Accordingly, FAS should assess the extent that agencies are improperly procuring AMS services under the Schedules Program and implement corrective action.

## **FAS Can Improve Controls to Provide Greater Assurance that Ordering Agencies Take Steps to Mitigate Risk**

The MSC Special Ordering Instructions provide a strong foundation for consideration of the risks associated with AMS services. However, the MSC should provide ordering agencies with additional information to assist in avoiding negative outcomes related to using contractors for these services. More emphasis on the importance of the appropriate level of oversight required to manage contractor performance, as well as the need to provide government contracting officials with training, would improve the usefulness of the instructions. In addition, the MSC should fully implement its marketing and business development efforts relative to communicating the Special Ordering Instructions to customer agencies. Further, the MSC should develop and implement a plan to monitor the quality of the Special Ordering Instructions.

Special Ordering Instructions Should Emphasize Measures that Address Leading Causes of Risk. The Special Ordering Instructions outline FAR and OMB Office of Federal Procurement Policy (OFPP) provisions that address inherently governmental functions and conflicts of interest.<sup>5</sup> However, because of the level of risk that accompanies AMS services, the ordering instructions should place more emphasis on measures that address the leading causes of the risks associated with these services.

The use of contractors for AMS services increases the risk that contractors will perform inherently governmental functions. The FAR defines an inherently governmental function as one that is so intimately related to the public interest as to mandate performance by government employees. An inherently governmental function includes activities that require either the exercise of discretion in applying government authority, or the making of value judgments in making decisions for the Government.<sup>6</sup> The FAR prohibits the use of contractors for inherently governmental functions, as well as activities that may approach that of inherently governmental if not properly managed.<sup>7</sup> See Exhibit 2 for examples of these functions.

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<sup>5</sup> OFPP is currently developing additional guidance to help agencies determine inherently governmental functions. Therefore, FAS may need to update the Special Ordering Instructions to reflect this new guidance, as well as the scope of Schedules offering these services.

<sup>6</sup> FAR § 2.101 —*Definitions, "Inherently governmental function."*

<sup>7</sup> FAR § 7.5 —*Inherently Governmental Functions.*

**Exhibit 2: Examples of Inherently Governmental Functions and Functions Approaching Inherently Governmental**

Inherently Governmental	May Approach Inherently Governmental
<ul style="list-style-type: none"> <li>• The determination of agency policy, such as determining the content and application of regulations, among other things.</li> <li>• The direction and control of federal employees.</li> <li>• The command of military forces, especially the leadership of military personnel who are members of the combat, combat support, or combat service support role.</li> </ul>	<ul style="list-style-type: none"> <li>• Contractors providing technical evaluation of contract proposals.</li> <li>• Services in support of acquisition planning.</li> <li>• Contractors providing assistance in contract management (such as where the contractor might influence official evaluations of other contractors);</li> <li>• Contractors providing assistance in the development of statements of work.</li> </ul>

Reliance on contractors for AMS services can also increase the risk of organizational and personal conflicts of interest. Contractors that provide services where an actual or potential conflict of interest exists may obtain an unfair competitive advantage or offer advice or assistance that is not in the best interest of the Government. The FAR describes procedures for identifying and mitigating conflicts of interest and illustrates situations where conflicts of interest may arise.<sup>8</sup> Conflicts of interest may exist if contractors:

- Participated in earlier work related to the ordering agency’s program or activity;
- Have been privy to information that could influence government decision making on the work being performed;
- Have personnel that have previously worked for the ordering agency; and
- Have worked with clients affected by the ordering agency’s task order.

Federal agencies procuring AMS services must ensure that they identify any actual or potential conflicts of interest and take the appropriate steps to reduce this risk.

Recent audit reports have exposed potential negative outcomes that can occur when agencies use contractors for AMS services. For example, in May 2004, the U.S. House of Representatives Committee on Oversight and Government Reform reported that contractors supervising the reconstruction in Iraq lacked independence; oftentimes having close business relationships with the construction contractors they were hired to oversee.<sup>9</sup> In April 2005, GAO reported on a contractor that, “...was allowed to play a large role in aspects of the procurement process normally performed by government

<sup>8</sup> FAR § 9.5—*Organizational and Consultant Conflicts of Interest*.

<sup>9</sup> United States House of Representatives Committee on Government Reform, *Contractors Overseeing Contractors: Conflicts of Interest Undermine Accountability in Iraq* (May, 2004).

personnel.”<sup>10</sup> In September 2007, GAO reported on cases where contractors closely supported the performance of inherently governmental functions.<sup>11</sup>

These audit reports indicated that the primary causes of these conditions centered on (1) a lack of management oversight and (2) inadequate training. The September 2007 report found that few program and contracting officials believed that these services required greater oversight. The report also found that the level of oversight did not always ensure accountability for decisions. The April 2005 GAO report indicated that government officials “lacked knowledge of contracting issues and were not aware of their basic duties and responsibilities [in administering the orders].” While federal agencies have a need to supplement an understaffed acquisition workforce, these cases exemplify the need for proper controls when using contractors for AMS services.

The Special Ordering Instructions already identify the need for proper management oversight. The instructions include complying with the following OFPP guidance prior to issuing a request for quote for AMS services on the MOBIS Schedule:

Pursuant to OFPP Policy Letter No. 93-1, Managing Oversight of Service Contracting, ordering activities contemplating the use of acquisition support services should address the following questions **prior to** soliciting and/or awarding services under a MOBIS task order. GSA strongly recommends that ordering activities document responses in an agency-prescribed format (i.e., memorandum to the file, or a Determination and Findings (D&F)) which addresses all questions below:

- 1) Is the requirement for inherently governmental services as defined either by FAR 7.5 or by the ordering agency? (If the answer is yes, the services **shall not** be solicited under MOBIS. The services must only be performed by qualified government employees. If the answer is no, proceed to the next questions.)
- 2) Are there sufficient resources to evaluate contractor performance when the statement of work requires the contractor to provide advice, analysis and evaluation, opinions, alternatives, or recommendations that could significantly influence agency policy development or decision-making? Identify the resources that will be utilized under a resultant task order.
- 3) Is the statement of work so broadly written that it does not specify a contract deliverable or require progress reporting on contractor performance? (If the answer is yes, the statement of work/RFQ [Request for Quote] is not yet ready for issuance.) Address how the

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<sup>10</sup> GAO-05-201, *Interagency Contracting: Problems with DOD’s and Interior’s Orders to Support Military Operations* (April 2005).

<sup>11</sup> GAO-07-990, *Department of Homeland Security, Improved Assessment and Oversight Needed to Manage Risk of Contracting for Selected Services*.

statement of work addresses these issues to ensure acceptable contractor performance/deliverables.

- 4) Is there concern that the agency lacks the expertise to evaluate independently the contractor's approach, methodology, results, options, conclusions, or recommendations? Explain how the agency will perform/provide the independent evaluation of the contractor's work.

The MSC could strengthen these instructions, however, by expanding upon the following areas:

- Provide more detail on well defined statements of work (SOWs). Our review of the BPAs FAS awarded under MOBIS Schedule contracts for AMS services identified policies and procedures FAS developed to reduce the risks associated with AMS services. This included a sample RFQ<sup>12</sup> which provides an example of a well defined SOW and illustrates techniques for mitigating the risks of contractors performing inherently governmental work and conflicts of interest. We believe it would be very helpful to agencies to have access to this type of document.
- Discuss the importance of maintaining a well educated contracting staff capable of properly managing contractors performing AMS services. Because prior GAO audit reports identified inadequate training as a primary cause of negative outcomes associated with AMS services, we believe this discussion is appropriate.

Expanding the instructions to include the areas described above would elaborate on a fundamental preventative procedure associated with AMS services and address the other leading cause of risk.

The MSC Should Fully Communicate the Special Ordering Instructions. The Special Ordering Instructions contain information critical to mitigating the risks associated with procuring AMS services, and the MSC should ensure widespread communication of the instructions. The standards for internal control require timely communication of control responsibilities to stakeholders to reasonably ensure the success of organizational objectives. The MSC developed marketing and business development efforts to communicate to customer agencies the addition of AMS services to the MOBIS Schedule. However, the MSC cited sensitivity issues as the reason for not fully implementing these efforts.

The MSC developed a Business Case Analysis (BCA) as part of the process of adding AMS services to the Schedules Program. The BCA included the following marketing and business development efforts surrounding the communication of the addition of AMS services to the Schedules Program:

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<sup>12</sup> FAS Center Innovation for Acquisition Development, *Sample Acquisition Management RFQ*.

- An article in *Marketips* outlining the change;
- A broadcast bulletin to all FAS marketing personnel on the changes with a request that they inform customers and update their presentation material;
- A targeted email campaign to current MOBIS customers;
- A targeted marketing campaign to all assisted services shops; and
- Updated training material for MSC and regional marketing personnel.

The MSC conducted a video conference with marketing and FAS Assisted Acquisition Services personnel and updated all training materials related to AMS services. However, the MSC has not implemented the remaining marketing and business development efforts aimed primarily for customer agencies.

MSC officials indicated that they chose to delay efforts to communicate the Special Ordering Instructions to external customers to allow time to determine the impact of the new offering and assess how external customers are using AMS services. However, the MSC informed us of its ongoing efforts to educate external customers through onsite training presentations on how to procure professional services under the Schedules Program, including AMS services. In addition, we believe that fully communicating the Special Ordering Instructions will provide greater assurance that external customers acquiring AMS services are aware of the preventative measures to mitigate risk. Effective and timely communication of information surrounding policies and procedures is an important standard of internal control and essential to achieving compliance requirements.

The MSC Should Monitor the Special Ordering Instructions. In order to assure the effectiveness of the Special Ordering Instructions, the MSC should develop and implement a plan to monitor the ordering instructions. *The Internal Controls at the General Services Administration Desk Guide* states that once controls are in place, it is crucial to monitor and test the controls to identify weaknesses. MSC officials indicated that monitoring the ordering instructions would place them in the objectionable role of policing ordering agencies' use of the Schedules Program. While we understand that the ordering agency has the primary responsibility to avert the risks associated with AMS Services, FAS also has a responsibility as the owner of the Schedules Program to provide high quality guidance for use of the program. By monitoring the Special Ordering Instructions, the MSC can update and/or clarify the instructions to improve assurance that the instructions are useful for agencies to mitigate risk. For example, forthcoming changes in OFPP guidance on inherently governmental functions should be incorporated into the Special Ordering Instructions.

Questions to consider when monitoring the Special Ordering Instructions might include:

- Is there evidence that the instructions are/are not well understood?
- Do the instructions convey a message that encourages external customers and contractors alike to take the steps necessary to protect the Government against the risks associated with AMS services?



- Is there evidence that the MSC is/is not adequately promoting awareness of the Special Ordering Instructions?
- Do customers and/or contractors want additional information to assist them in the proper use of AMS services?

The MSC's development and implementation of a plan to continuously monitor the Special Ordering Instructions should help answer these questions and identify potential improvements.

### **Recommendations**

We recommend that the Commissioner of the Federal Acquisition Service:

1. Add to the *Special Ordering Instructions for MOBIS Acquisition Management Support* (a) the *Sample Acquisition Management RFQ* developed by FAS's Center for Innovation for Acquisition Development or similar document that exemplifies a well-defined statement of work, and (b) language to emphasize the importance of periodic training for government employees to properly manage contractors performing AMS services.
2. Fully implement the marketing and business development efforts outlined in the MOBIS Schedule *SIN 874-6 Business Case Analysis* to ensure the widest communication of the *Special Ordering Instructions for MOBIS Acquisition Management Support*.
3. Develop and implement a plan to monitor the *Special Ordering Instructions for MOBIS Acquisition Management Support* to assure the instructions are effective in helping agencies mitigate risk.

### **FAS Should Assess Risk When Considering Schedules Program Changes**

In reviewing the controls the MSC established for AMS services, we evaluated the process by which FAS added these services to the Schedules Program. We determined that the current process for making changes to the Schedules Program is outdated and does not require acquisition centers to perform a risk assessment. A risk assessment is an important consideration in making changes to Schedule offerings and assists in establishing controls necessary to achieve program objectives.<sup>13</sup> FAS officials were aware of the need to update this process and indicated they had plans to study the issue. We believe that the revised procedures should include a risk assessment to identify the potential for negative outcomes associated with changes to the Schedules Program.

The current FAS process for adding items to the Schedules Program requires acquisition centers to complete a *Pre GSA Form 1649, Recommendation for*

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<sup>13</sup> GAO's, *Standards for Internal Control in the Federal Government* (November 1999).

*Improvement of Federal Supply Schedules.*<sup>14</sup> The process also requires acquisition centers to complete a *Business Case Profile* for all new schedules, SINs, services, or products and includes a formal approval process. While the MSC proactively conducted a risk assessment upon adding AMS services to the MOBIS Schedule, the current process does not require a risk assessment. Performing this step not only alerts management of the possible risks related to the products or services in question but can also help shape the controls necessary to reduce risk.

### **Recommendation**

We recommend that the Commissioner of the Federal Acquisition Service:

4. Include in the update of the process for making changes to Schedules Program offerings the requirement for acquisition centers to perform a risk assessment when making changes to the Schedules Program. This requirement should include procedures for developing control activities to mitigate risk as necessary.

### **Agencies May Have Improperly Used Schedule Contracts for AMS Services**

In FY 2007 and FY 2008, federal agencies used Schedule contracts to procure \$111.6 million in contract, procurement, and acquisition support services, as reported in the Federal Procurement Data System (FPDS). A limited review of task orders issued under Schedule contracts indicated that a substantial portion of the work was consistent with AMS services, which were outside the scope of the Schedule contracts utilized. Agencies issuing orders for services that are beyond the scope of the base contract circumvent competition requirements by limiting the pool of qualified contractors. An overly broad definition of the IT Services Schedule SIN under which agencies ordered the majority of these services may have contributed to this situation. The scope of work for the orders we reviewed included other types of services; however, due to time constraints we were not able to determine the degree to which the work was for AMS services. FAS should evaluate the extent to which agencies are improperly using Schedule contracts to order AMS services and implement corrective action. FAS should also evaluate the extent to which Schedule contractors are improperly providing AMS services under their Schedule contracts and take corrective action.

In order to understand the Government's demand for AMS services under Schedule contracts, we analyzed information in FPDS for the acquisition of these services. We queried FPDS by product/service code (PSC) R707, which GSA identifies as *Contract, Procurement, and Acquisition Support Services*. The query indicated that the majority of PSC R707 orders placed under the Schedules Program in FY 2007 and FY 2008 utilized IT Schedule contracts.

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<sup>14</sup> FSS Acquisition Letter FC-00-01, Supplement No. 3, *GSA Form 1649 - Notification of Federal Supply Schedule Improvement Process* (March 2000).

**Exhibit 3: PSC R707 Sales under Schedule Contracts in FY 2007 & FY 2008**

Schedule	FY 2007 Sales	FY 2008 Sales	Total Sales
IT - General Purpose Commercial Information Technology Equipment, Software, and Services	\$42,206,210	\$41,947,262	\$84,153,471
874 - Mission Oriented Business Integrated Services (MOBIS)	\$7,393,525	\$8,442,801	\$15,836,326
871 - Professional Engineering Services (PES)	\$3,018,080	\$1,860,399	\$4,878,478
874 V - Logistics Worldwide (LOGWORLD)	\$2,632,201	\$616,721	\$3,248,922
36 - The Office, Imaging and Document Solution	\$1,081,803	\$ -	\$1,081,803
736 - Temporary Administrative and Professional Staffing (TAPS)	\$697,827	\$475,963	\$1,173,791
541 - Advertising & Integrated Marketing Solutions (AIMS)	\$539,370	\$ -	\$539,370
56 - Buildings and Building Materials/Industrial Services and Supplies	\$218,904	\$ -	\$218,904
00CORP - The Consolidated Schedule	\$ -	\$294,157	\$294,157
84 - Total Solutions for Law Enforcement, Security, Facilities Management, Fire, Rescue, Clothing, Marine Craft and Emergency/Disaster Response	\$ -	\$164,949	\$164,949

PSC R707 orders under IT Schedule contracts accounted for 73 percent of the total PSC R707 orders under the Schedules Program in FY 2007 and 78 percent in FY 2008. To obtain more information regarding the nature of the work ordered, we requested task order information from 9 of the 36 IT Schedule contractors we identified in FPDS with PSC R707 sales in FY 2008. We determined that all but 1 of the 45 task orders awarded to these contractors in FY 2008 were from one U.S. Air Force contracting office. Task order information indicated that the purpose of these acquisitions was to assure continuity of A&AS [advisory and assistance services] support amidst expiring contracts providing the same services. Based on feedback from IT Schedule vendors, an overly broad definition of the IT Schedule SIN under which agencies ordered these services may have contributed to this situation. However, the contractors did not provide adequate information on the exact nature of the work; accordingly, we were unable to determine the portion of the work that was AMS services. In addition, the contractors have since completed the work on these orders, and we did not contact the ordering agency due to time constraints.

Our assessment of the performance work statement (PWS) for each task order indicated that the IT Schedule contractors were performing, to some degree, AMS services under SIN 132 51 – Information Technology Services. GSA describes the scope of this SIN as follows:

Includes resources and facilities management, database planning and design, systems analysis and design, network services, programming, millennium conversion services, conversion and implementation support, network services project management, data/records management, subscriptions/publications (electronic media), and other services.

FAS officials indicated that AMS services are not within the scope of the IT Schedule. The PWS listed acquisition support as the first category of work. The PWS also included "A full range of A&AS ...to include acquisition, financial management, contracting, administrative and human resources, and engineering support throughout the life of this contract..." Some of the services listed in the scope of work as acquisition services included:

- Assisting in reviewing contractor deliverable status together with milestone schedules, status reports, and cost performance reports;
- Assisting in reviewing or proposing inputs to Request for Proposal, including Statements of Objective, Performance Work Statements;
- Providing administrative support to the procurement contracting officer in the areas of file preparation;
- Generation of modifications;
- Preparation of new awards;
- Drafting required documents to accomplish proper contract administration;
- Assisting in the preparation of Price Negotiation Memorandums;
- Assisting in the technical evaluation of proposals; and
- Assisting in contract closeouts.

Task orders issued outside the scope of the SINs covered under a particular Schedule restrict competition because it excludes from consideration the pool of contractors capable of performing the work. In addition, the acquisition of AMS services under Schedule contracts where FAS has not established the same controls afforded on the MOBIS Schedule may heighten the Government's exposure to the risks associated with AMS services. Therefore, FAS should assess the extent of Schedule misuse for AMS services and take corrective action. The corrective action could include clarifying the SIN description and/or sanctions for ordering agencies and vendors as defined in the terms and conditions of the contract. The IT Schedule solicitation states that, "As a condition of using this contract, eligible ordering activities agree to abide by all terms and conditions of the Schedule contract." In addition, the IT Schedule contract terms and conditions state, "The Government may terminate this contract... if the Contractor fails to comply with any contract terms and conditions..."

## **Recommendations**

We recommend that the Commissioner of the Federal Acquisition Service:

5. Assess the extent to which agencies are improperly using Schedule contracts to order AMS services and implement corrective action. The corrective action should include guidance to customer agencies on the proper use of Schedule contracts.
6. Assess the extent to which Schedule contractors are improperly providing AMS services and take corrective action. The corrective action should include guidance to contractors on what services are appropriate for the Schedule.

## **Conclusion**

The MSC has developed ordering instructions to assist agencies in mitigating risks associated with obtaining AMS services through the Schedules Program. These instructions provide fundamental principles for limiting the Government's exposure to fraud, waste, and abuse when acquiring these services. The MSC can improve the ordering instructions by emphasizing measures that address the leading causes of risk with these services. In addition, the MSC should fully communicate the ordering instructions to assure greater awareness to agencies contemplating the use of the Schedules Program to obtain AMS services. As an additional control measure, the MSC should develop and implement a plan to monitor the quality of the ordering instructions. Monitoring is key to the success of any control activity and should provide management with information to improve the guidance as necessary.

A risk assessment is an important tool for internal control to identify weaknesses and necessary control activities. Therefore, FAS's process for making changes to the Schedules Program should require acquisition centers to assess the risk associated with proposed changes. This step will strengthen the Schedules Program by providing additional assurance that the program effectively meets agencies' needs.

Central to the Government's requirement to obtain products and services at reasonable prices is competition. Products and services procured outside the authorized scope of a Schedule contract undermine competition by limiting the pool of qualified vendors. Our review identified significant purchases of contract, procurement, and acquisition support services using non-authorized Schedule contracts, as reported by the ordering agencies in FPDS. FAS should assess the extent that agencies are inappropriately procuring these services through Schedule contracts and implement corrective measures. In addition to undermining competition, risks of conflicts of interest and inherently governmental work are increased because agencies using contracts outside the MOBIS Schedule to procure AMS services do not have the benefit of the MSC's Special Ordering Instructions to assist them in mitigating risk.

## **Internal Controls**

We limited our assessment of internal controls to those related to the Special Ordering Instructions and the process for making changes to the Schedules Program. We provided recommendations to strengthen and improve the current controls associated with the use of Schedules contracts for AMS services as discussed in the Results of Review and Recommendations sections of this report.

## **Management Comments**

In his July 29, 2010, response to the draft report, the Commissioner of the Federal Acquisition Service concurred with our findings. Management indicated that steps to implement recommendations cited in the report are already underway. Management's written comments to the draft report are included in their entirety as Appendix A.

## **APPENDICES**

REVIEW OF THE USE OF MULTIPLE AWARD  
SCHEDULE CONTRACTS FOR ACQUISITION  
MANAGEMENT SUPPORT SERVICES  
REPORT NUMBER A090018/Q/A/P10009

**APPENDIX A**


**Management Comments**



GSA Federal Acquisition Service

July 29, 2010

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

FROM: STEVEN J. KEMPF   
COMMISSIONER  
FEDERAL ACQUISITION SERVICE (Q)

SUBJECT: GSA Draft Report, "Review of the Use of Multiple Award  
Schedule Contracts for Acquisition Management Support  
Services" (report number A090018)

Thank you for the opportunity to provide comments on the draft audit report. FAS concurs with the six recommendations and will begin creating action plans to address the recommendations. Concurrences are included in the official file or by the correspondence received from the program offices which are attached to the official file.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Kirk Martinelli at (703) 605-5432 or [kirk.martinelli@gsa.gov](mailto:kirk.martinelli@gsa.gov) for additional information.

cc: Mr. Theodore R. Stehney  
Assistant Inspector General  
for Auditing (JA)

U.S. General Services Administration  
2200 Crystal Drive  
Arlington, VA 20406-0003  
[www.gsa.gov](http://www.gsa.gov)



**Federal Acquisition Service Comments on the OIG Draft Report: "Review of the Use of Multiple Award Schedule Contracts Acquisition Management Support Services" (A090018)**

General Comments

FAS is currently reviewing the Notification of Federal Supply Schedule (FSS) Improvement Process (1649 Process) in order to develop more effective, efficient, and controlled processes. The work is guided by both lessons learned and the findings of the OIG Audit, "Determination of Unnecessary Duplication within the Office of General Supplies and Services, Federal Acquisition Service (A080226)."

FAS agrees that when appropriate, the Acquisition Centers should perform a risk assessment in conjunction with the business case when making a change to a Schedule solicitation or the schedules program.

Recommendation No. 1

***Add to the Special Ordering Instructions for MOBIS Acquisition Management Support (a) the Sample Acquisition Management RFQ developed by FAS' Center for Innovation for Acquisition Development or similar document that exemplifies a well-defined statement of work and (b) language to emphasize the importance of periodic training for government employees to properly manage contractors performing AMS services.***

FAS concurs.

Recommendation No. 2

***Fully implement the marketing and business development efforts outlined in the MOBIS Schedule SIN 874-6 Business Case Analysis to ensure the widest communication of the Special Ordering Instructions for MOBIS Acquisition Management Support.***

FAS concurs.

Recommendation No. 3

***Develop and implement a plan to monitor the Special Ordering Instructions for MOBIS Acquisition Management Support to assure the instructions are effective in helping agencies mitigate risk.***

FAS concurs.

Recommendation No. 4

***Include in the update of the process for making changes to Schedule Program offerings the requirement for acquisition centers to perform a risk assessment when making changes to the Schedules Program. This requirement should include procedures for developing control activities to mitigate risk as necessary.***

FAS concurs.

Recommendation No. 5

***Assess the extent to which agencies are improperly using Schedule contracts to order AMS services and implement corrective action. The corrective action should include guidance to customer agencies on the proper use of Schedule contracts.***

FAS concurs.

Recommendation No. 6

***Assess the extent to which Schedule contractors are improperly providing AMS services and take corrective action. The corrective action should include guidance to contractors on what services are appropriate for the Schedule.***

FAS concurs.

REVIEW OF THE USE OF MULTIPLE AWARD  
SCHEDULE CONTRACTS FOR ACQUISITION  
MANAGEMENT SUPPORT SERVICES  
REPORT NUMBER A090018/Q/A/P10009

**APPENDIX B**

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