AUDIT OF THE
MULTIPLE AWARD SCHEDULE PROGRAM
INDUSTRIAL FUNDING FEE
REPORT NUMBER A090256/Q/A/P12003

February 3, 2012

Date: February 3, 2012

Reply to
Attn of: Deputy Assistant Inspector General for Acquisition Audits (JA-A)

Subject: Audit of the Multiple Award Schedule Program Industrial Funding Fee
Report Number A090256/Q/A/P12003

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

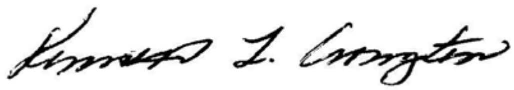
This report presents the results of the Audit of the Multiple Award Schedule (MAS) Program Industrial Funding Fee (IFF). The audit found that the current fixed rate IFF methodology used to fund the MAS Program is simple and transparent. However, the IFF is set at a level that consistently generates net operating revenue in excess of amounts required to recover MAS Program costs, make MAS Program investments, and maintain a risk mitigating buffer. The Federal Acquisition Service (FAS) annually considers its overall fund health as part of its budget process. However, FAS has not performed a review specifically to determine whether the MAS Program IFF rate should be adjusted since fiscal year (FY) 2004, when the rate was reduced from 1 percent to 0.75 percent of sales, and FAS has no criteria or methodology for performing such reviews.

MAS Program net operating revenue has helped build up the reserves in the Acquisition Services Fund (ASF). As of September 2009, the ASF had reserves totaling $687.5 million. Excess reserves are required to be returned to the U.S. Treasury; however, no returns have been made since FY 2004 excess funds were returned in FY 2006.

FAS no longer associates cost recovery solely with the MAS Program. The MAS Program is now managed by three business portfolios and its net operating revenue is available to help fund other FAS programs. While this approach is authorized by the Act that established the ASF, it diverges from the purpose of the IFF that has been communicated to MAS customers (i.e. MAS Program cost recovery).

Finally, we identified opportunities to enhance controls over MAS sales reporting and IFF collection processes.

We included your written comments to this report in Appendix B. I would like to thank your staff for their assistance during this review. If you have any questions regarding this report, please contact me at (703) 603-0189.



Kenneth L. Crompton
Deputy Assistant Inspector General for Acquisition (JA-A)

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TABLE OF CONTENTS

AUDIT OF THE
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REPORT NUMBER A090256/Q/A/P12003

EXECUTIVE SUMMARY

OBJECTIVES

The objectives of our audit were to determine whether: (1) the Industrial Funding Fee (IFF) is appropriately structured and set at a level that provides a reasonable amount of revenue for the Federal Acquisition Service (FAS) to recover Multiple Award Schedule (MAS) Program costs, make appropriate investments, and maintain a risk mitigating buffer; and (2) controls for the IFF collection process promote accurate and timely payment of these fees.

RESULTS IN BRIEF

The current fixed rate IFF methodology used to fund the MAS Program is simple and transparent. However, the IFF is set at a level that consistently generates net operating revenue in excess of amounts required to recover MAS Program costs, make MAS Program investments, and maintain a risk mitigating buffer. FAS annually considers its overall fund health as part of its budget process. However, FAS has not performed a review specifically to determine whether the MAS Program IFF rate should be adjusted since fiscal year (FY) 2004, when the rate was reduced from 1 percent to 0.75 percent of sales, and FAS has no criteria or methodology for performing such reviews.

MAS Program net operating revenue has helped build up the reserves in the Acquisition Services Fund (ASF). As of September 2009, the ASF had reserves totaling $687.5 million. Excess reserves are required to be returned to the U.S. Treasury; however, no returns have been made since FY 2004 excess funds were returned in FY 2006.

FAS no longer associates cost recovery solely with the MAS Program. The MAS Program is now managed by three business portfolios and its net operating revenue is available to help fund other FAS programs. While this approach is authorized by the Act that established the ASF, it diverges from the purpose of the IFF that has been communicated to MAS customers (i.e. MAS Program cost recovery).

Finally, we identified opportunities to enhance controls over MAS sales reporting and IFF collection processes.

RECOMMENDATIONS

We recommend the Commissioner of the Federal Acquisition Service:

1. Evaluate the current IFF rate, considering needed investments and reserves, and adjust it if necessary.

2. Develop and establish criteria and methodology for evaluating, on a periodic basis, whether the IFF rate is properly set.

3. Evaluate the current ASF reserves, determine whether funds should be returned to the U.S. Treasury, and make any returns deemed appropriate.

4. Inform MAS customers that the IFF may be used to fund initiatives benefitting other programs or offset losses in other FAS programs. At a minimum, this can be done by revising General Services Acquisition Regulation 552.238-74.

5. Issue Standard Operating Procedures that require the FAS Office of Acquisition Management, Supplier Management Division, to obtain status updates and proof of payment on open receivables from MAS Administrative Contracting Officers for forwarding to the Office of Administrative Services' GAO/IG Audit Response Division.

MANAGEMENT COMMENTS

On December 21, 2011, the FAS Commissioner concurred with recommendations 1 through 4, but took exception to recommendation 5. We revised recommendation 5 based on discussions with FAS and made other report changes we deemed appropriate. Overall, we reaffirm our findings and recommendations. Management's comments are included in their entirety as Appendix B to this report.

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RESULTS OF AUDIT

Finding 1 – The IFF Generates Revenue Beyond MAS Program Needs

The Industrial Funding Fee (IFF) is set at a level that generates revenue in excess of the amounts required to recover Multiple Award Schedule (MAS) Program costs, make MAS Program investments, and maintain a risk mitigating buffer. As shown in Figures 1 and 2, the MAS Program has had net operating revenue every year since the rate was last changed.

Figure 1 – MAS Program Trends

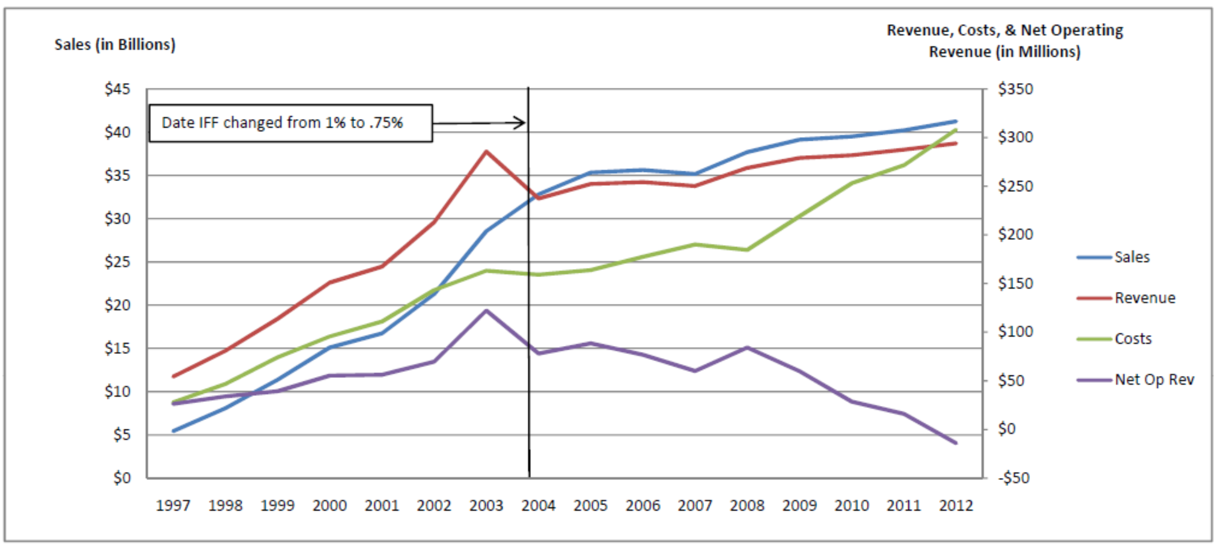

Figure 2 – MAS Program Net Operating Revenue

Category	FY 2007	FY 2008	FY 2009[1]	FY 2010	FY 2011	FY 2012[2]
Sales	$35.2 billion	$37.7 billion	$39.1 billion	$39.5 billion	$40.2 billion	$41.3 billion
Revenue	$250.3 million	$268.8 million	$279.2 million	$281.9 million	$287.6 million	$294.1 million
Cost	$190.2 million	$184.5 million	$219.3 million	$245.3 million	$271.5 million	$308.2 million
Net Operating Revenue	$60.0 million	$84.2 million[3]	$59.9 million	$28.7 million	$16.1 million	-$14.1 million

[1] Net of $7.9 million in extraordinary prior-period adjustments that increased FY 2009 costs.
[2] All FY 2012 figures used in this report are based on FAS's projections as of October 2011.
[3] Difference due to rounding.

FAS annually assesses its overall fund health as part of the budget process. Nevertheless, FAS has not performed a review specifically to determine whether the MAS Program IFF rate should be adjusted since FY 2004, and does not have a methodology or criteria for conducting such reviews.

We recognize that FAS efforts over the last few years have been focused primarily on establishing the FAS organization. However, FAS has been in place almost 5 years and the IFF rate has not been adjusted in 7 years. Therefore, it is our opinion that it is now time for a reassessment of the fee.

In its assessment of the IFF rate, FAS should consider the need to offset direct and indirect costs of operations and generate revenue for investments and reserves. These considerations should be balanced against concerns about keeping excess revenue to a minimum.

<u>Finding 2 – ASF Reserves Should be Evaluated for Return to the U.S. Treasury</u>

Acquisition Services Fund (ASF) reserves are not being returned to the U.S. Treasury.[4] Net operating revenue from the MAS Program and FAS's other programs flows into the ASF's three reserve accounts (working capital, business, and investment reserves). FAS uses these accounts as a risk mitigating buffer, to fund system improvements, and to make strategic investments in the MAS Program and various other FAS programs. After a provision for needs outlined in the Cost and Capital Plan is set aside, FAS is required to return excess revenue to the U.S. Treasury. The total balance in the three ASF reserve accounts as of September 2009 was $687.5 million. Accordingly, FAS should determine whether any ASF funds can be returned to the U.S. Treasury.

<u>Finding 3 – FAS Needs to Communicate Expanded Use of IFF to Customers</u>

MAS customers have been informed that the IFF is used solely to fund the MAS Program. However, this is currently not the case. The MAS Program is now spread across three business portfolios and is no longer a self-contained cost center. Although FAS maintains revenue and cost information at the program level within each portfolio, it manages cost recovery at the overall portfolio and fund levels. Consequently, net operating revenue for the MAS Program is retained within the ASF and is available to supplement other FAS programs. While this approach is permitted by the Act that established the ASF, it departs from the purpose of the IFF that has historically been communicated to customers (i.e. MAS Program cost recovery).

The IFF provides the resources that enable FAS to offer all MAS customers and contractors a basic level of service. This includes awarding and administrating MAS contracts, maintaining FAS's automated systems, reviewing contractors' order fulfillment and billing practices, and assisting in resolving billing disputes and damage claims. In addition, FAS provides enhanced service to larger customers in select cases.

[4] In FY 2006, $92 million of FY 2004 funds was returned. No ASF funds have been returned since then.

GSA's legacy Federal Supply Service (FSS) managed all schedules comprising the MAS Program as a single program. It was FSS policy that each supply program recover its full operating costs on a break-even basis and that pricing structures be reviewed annually to maintain these break-even positions.

On October 6, 2006, Congress enacted Public Law 109-313, the GSA Modernization Act. This Act established FAS by combining GSA's FSS and Federal Technology Service and instituted the ASF by combining the General Supply Fund and the Information Technology Fund. Management established portfolios based on the products and/or services provided, and the MAS Program was divided among three of these portfolios: Integrated Technology Services; General Supplies and Services; and Travel, Motor Vehicles, and Card Services.

The Act grants GSA's Administrator latitude in determining how to use net operating revenue from the MAS Program, including offsetting losses in other FAS programs or funding initiatives benefitting other FAS programs. However, this change has not been formally communicated to MAS Program customers.

General Services Acquisition Regulation (GSAR) Clause 552.238-74 currently states "The IFF reimburses FSS for the costs of operating the Federal Supply Schedules Program and recoups its operating costs from ordering activities." This understanding is reinforced via other pronouncements. When the MAS Program became self-funded in 1995, the Federal Register reported that GSA "will use the industrial funding fee to fund the cost of providing supplies and services through the Federal Supply Schedule Program."[5] In 2004, when the IFF was last adjusted, the Federal Register reported "GSA utilizes the IFF to fund the cost of providing supplies and services through the Federal Supply Schedule program, eliminating operating expenses formerly funded with appropriated monies."[6]

To further improve transparency in the MAS Program, FAS needs to inform MAS customers that the IFF may be used to fund other programs or offset losses in other FAS programs. At a minimum, this can be done by updating the GSAR.

Finding 4 – Opportunities Exist to Strengthen Controls Over the IFF

FAS has taken a number of steps to strengthen controls over the accuracy of contractor-reported sales data and IFF collection, as recommended in the previous Office of Inspector General (OIG) IFF audit report.[7] Still, additional enhancements are possible. By establishing claims for IFF underpayments identified in OIG preaward audits,[8] FAS could help ensure timely collection of these funds, which amounted to

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5 60 Federal Register 74 (April 18, 1995) p19360.
6 68 Federal Register 52 (March 18, 2003) p13212.
7 "Audit of the Federal Supply Service's Industrial Funding Fee for the Schedules Program," Report Number A83309/F/H/V99513 dated May 28, 1999.
8 These audits are typically conducted before a contract is extended, and include an evaluation of the contractor's sales reporting and IFF payments.

approximately $140,000 in FY 2008 and $900,000 in FY 2009. Additionally, FAS could improve its ability to verify sales and revenue by eliminating MAS contracts with little or no sales activity over a specified time period.

Controls Over IFF Collection Can be Further Improved FAS controls over IFF collections have improved since we last reviewed the process in 1999. Actions taken include: using reports that identify contractor payment delinquencies; establishing claims and assessing interest on fees not submitted in accordance with contract requirements; and ensuring remittance data is reconciled to GSA's Office of Finance data. In addition, management has improved oversight of the process by developing management reports to improve collection efforts, such as reports that show the age of overdue remittances. However, controls could be further enhanced by requiring periodic updates and proof of payment for open receivables for IFF underpayments identified in preaward contract audits conducted by the OIG.

GSAR Clause 552.238-74 requires contractors to report sales and make IFF payments within 30 days of the end of each calendar quarter. If a contractor fails to do so, an automated delinquency notice is generated within 30 days after payment is due. If an additional 45 days pass without payment, FAS sends information about the delinquent contractor to GSA's Office of Finance. The Office of Finance forwards this information to the U.S. Treasury if the amount owed exceeds a certain threshold (currently $1,000) and establishes a formal claim. The U.S. Treasury contacts collection agents to pursue contractor payment of the IFF and collection costs.

When unpaid IFF is discovered during an OIG preaward audit, this information is reported to the responsible contracting officer. The contracting officer indicates concurrence by signing a Decision Record, which is tracked for its ultimate disposition by the Office of Administrative Services' GAO/IG Audit Response Division. This division calls the unpaid IFF a receivable (rather than a formal claim) and monitors and reconciles the status with FAS audit liaisons and GSA's Office of Finance until paid. These IFF receivables totaled approximately $140,000 in FY 2008 and over $900,000 in FY 2009. Periodically requiring status updates and proof of payment for open receivables for unpaid IFF found during OIG preaward contract audits could strengthen controls in this area.

Controls Over IFF Verification Can Be Strengthened Controls over verification of MAS Program sales have been enhanced since our previous audit but could be further strengthened by eliminating underutilized MAS contracts.

FAS Industrial Operations Analysts (IOAs) visit contractors to, among other things, verify MAS Program sales and determine whether contractors have adequate tracking systems to identify these sales. However, there are over 18,000 MAS contracts and fewer than 100 IOAs; therefore, each IOA must visit almost 80 contractors a year to meet the FAS goal of two visits per 5-year contract period.[9]

[9] "Zone determined" visits, which are requested by administrative contracting officers, slightly increase this number. FAS reported conducting 53 of these visits in FY 2009.

FAS policy states that contracts with less than $25,000 in sales during the first 2 years and annually thereafter are subject to cancellation. During FY 2009, 8,588 MAS contracts had less than $25,000 in sales and 6,406 of these had no sales at all. If the contracts without sales were cancelled, the average number of required visits per IOA would fall by about 28 per year. This workload reduction would allow the IOAs additional time to educate performing contractors and verify their sales and IFF payments. We addressed resource requirements for no-sale MAS contracts in a 2007 report concerning workload management[10] and recommended that FAS adopt a more structured approach to reduce the number of underutilized MAS contracts. Accordingly, we have no additional recommendation at this time.

Recommendations

We recommend the Commissioner of the Federal Acquisition Service:

1. Evaluate the current IFF rate, considering needed investments and reserves, and adjust it if necessary.

2. Develop and establish criteria and methodologies for evaluating, on a periodic basis, whether the IFF rate is properly set.

3. Evaluate the current ASF reserves, determine whether funds should be returned to the U.S. Treasury, and make any returns deemed appropriate.

4. Inform MAS customers that the IFF may be used to fund initiatives benefitting other programs or offset losses in other FAS programs. At a minimum, this can be done by revising GSAR 552.238-74.

5. Issue Standard Operating Procedures that require the FAS Office of Acquisition Management, Supplier Management Division, to obtain status updates and proof of payment on open receivables from MAS Administrative Contracting Officers for forwarding to the Office of Administrative Services' GAO/IG Audit Response Division.

Other Observations

During our audit, we made some additional observations regarding the IFF program which we believe are worth noting.

The Fee Structure Is Viewed Favorably by Program Stakeholders The IFF structure is viewed favorably by MAS Program contractors, customers and FAS. The IFF is fixed at 0.75 percent of MAS Program sales, embedded in MAS prices, and remitted quarterly to GSA by MAS contractors. This structure facilitates budgeting and planning for contractors, customers and FAS; is manageable for contractors; allows GSA to easily

[10] "Review of Multiple Award Schedule Program Contract Workload Management," Report Number A060190/Q/6/P07004 dated July 31, 2007.

track and manage IFF payments; and provides overall price transparency. However, to evaluate whether it is the most efficient structure for FAS, we compared it to fees employed by other agencies that manage contracting vehicles for interagency use. Figure 3 shows these fee structures.

Figure 3 – Alternative Fee Methodologies

Contract Vehicle	Number of Contracts	Primary Product or Service	Fee and Methodology
National Aeronautics and Space Administration Solutions for Enterprise-Wide Procurement	48	Information Technology	0.5% with $10,000 per-order cap. National Aeronautics and Space Administration processes order.
National Institutes of Health Image World2	21	Imaging Supplies and Services	Large businesses – 1%. Small businesses – sliding scale (0.25 – 1%) based on order size. Internal customers – No fee. External customers – $250 minimum. National Institutes of Health approves order.
Department of Justice's Information Technology Support Services	12	Information Technology	Sliding scale based on order size: 3.5% < $1 million, 2% $1- $10 million, 0.5% > $10 million. Department of Justice consults, coordinates, issues documents, and prepares task order.

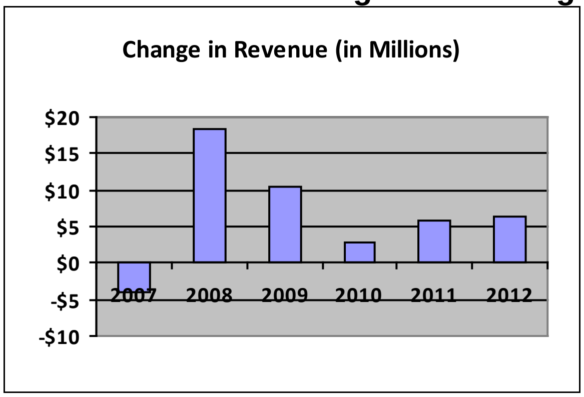
These alternative fee structures would not be easily transferred to the MAS Program as they typically focus on one product and/or service grouping, whereas the MAS Program offers a vast array of products and services. Additionally, while these programs have relatively few contracts (12 to 48), the MAS Program had well over 18,000 contracts as of June 2010. Further, in the MAS Program, orders are placed directly with the contractor by the customer. As such, FAS's ability to use a sliding scale or caps is limited because FAS has no direct involvement with the actual transactions and is dependent on the contractor reporting sales. Therefore, we believe the IFF structure is a reasonable approach to revenue collection for the MAS Program.

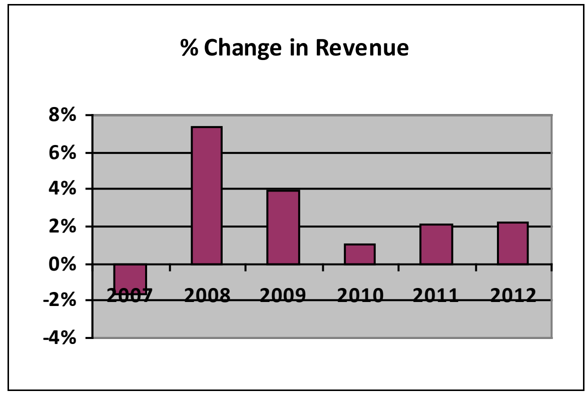
Sales and Revenue Continue to Grow MAS Program sales and revenue have grown dramatically through the years. In FY 1998, MAS Program sales were $7.6 billion and IFF revenue was $81 million.[11] By FY 2004, when FSS reduced the IFF, sales had quadrupled to $32.8 billion and revenue had almost tripled to $237.4 million. Growth has slowed since FAS was created in FY 2007, but the trend remains positive, as shown in

[11] The discrepancy between 1 percent of sales, $76 million, and actual revenue is attributed to: (1) timing differences between the date the contractor reports sales and the date the actual sales occurred, and (2) revenue recognition by FSS in the year it earned the fee, not necessarily when it was received.

Figure 4. Revenue grew $2.7 million (1.0 percent) in FY 2010 and $5.8 million (2.1 percent) in FY 2011, and is projected to increase $6.5 million (2.2 percent) in FY 2012.

Figure 4 –Change in IFF Revenue[12]

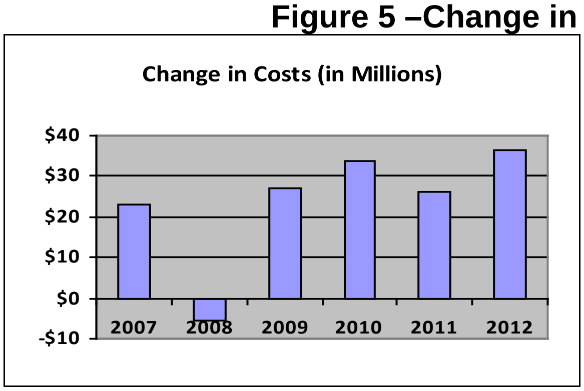


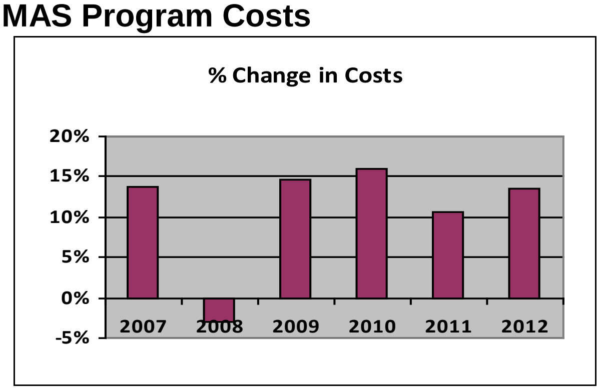


Some MAS Program officials contend that the Administration's focus on reducing government expenditures and agencies' use of their own contracting vehicles may cause MAS Program revenues to decline in coming years. Others believe revenues may increase as other agencies shed their competing contracting vehicles to focus on core competencies, and as state and local governments increase purchases from MAS contractors. Since the MAS Program is a mature Program with a lengthy sales history, we see no compelling reason to believe it will not continue to experience at least modest growth.

<u>Costs Are Rising Faster Than Revenue</u> MAS Program costs have risen substantially in recent years, as shown in Figure 5, and are growing faster than revenue. Costs grew 16 percent in FY 2010, versus revenue growth of 1 percent. Costs grew 10.7 percent in FY 2011, while revenue grew 2.1 percent. FAS projects that in FY 2012, costs will grow 13.5 percent, whereas revenue will grow 2.2 percent. Costs have grown in part because of large capital investments benefitting the MAS Program and elimination of a hiring freeze.

Figure 5 –Change in MAS Program Costs

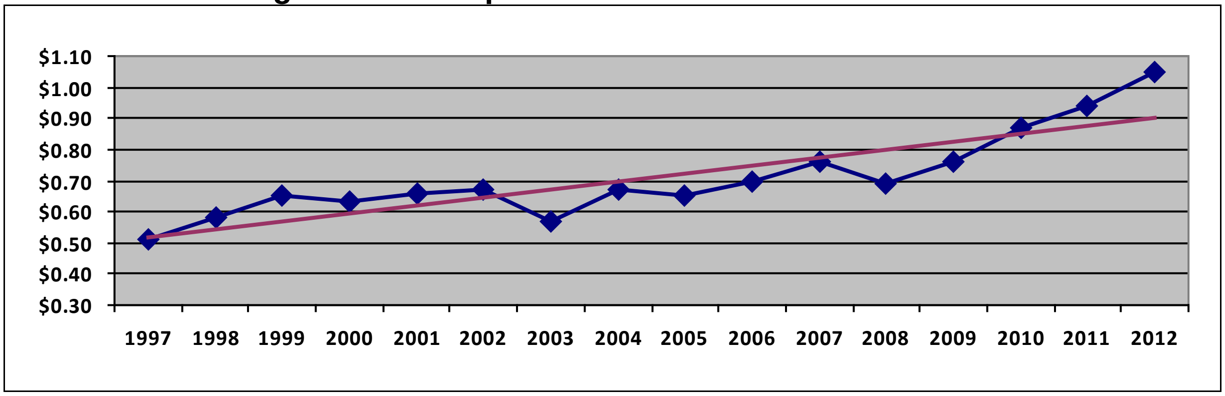




[12] IFF revenue figures were reduced by the legislatively required 5 percent MAS Program contributions to the Acquisition Workforce Training Fund, in keeping with FAS's practice.

Figure 6 shows that the cost to generate each dollar of MAS Program revenue has risen progressively, margins have gradually declined, and the rate of cost increases has accelerated. This indicates limited economies of scale as the number of MAS contracts increases and highlights the importance of ongoing critical cost assessment.

Figure 6 – Cost per Additional Dollar of Revenue



FAS has identified a number of significant initiatives it believes need to be undertaken to improve FAS operations, systems, and programs. Some have already begun, and others are scheduled to begin over the next several years. The expected costs through FY 2014 are shown in Figure 7. Strategic investments supporting the MAS Program are funded predominantly from current year revenues. Conversely, initiatives benefitting other FAS programs are generally funded from ASF reserves accumulated from net operating revenues of the MAS Program and FAS's other programs.

Figure 7 – FAS Strategic Initiative Costs (in Millions)

Primary Beneficiary of Strategic Initiatives	Funding Source	Actual FY 2007-2009 Costs	Projected FY 2010-2014 Costs	Total FY 2007-2014 Costs
MAS Program	MAS Program Ongoing Operations	$10.2	$28.0	$38.2
Other FAS Programs	ASF Reserves	$172.3	$149.8	$322.1
Both MAS and non-MAS Programs	Primarily ASF Reserves	$1.3	$61.2	$62.5
Total		$183.8	$239.0	$422.8

Strategic initiatives included in Figure 7 that primarily benefit the MAS Program are:

- Training MAS Program acquisition personnel;
- Establishing a program management office for directing and advising the Program;
- Furthering the inclusion of state and local purchasing from FAS contracting vehicles (particularly the MAS contracts);
- Hiring additional contract support staff to help reduce backlogs in processing MAS contract options and modifications and awarding new MAS contracts;
- Instituting various improvements in the MAS process; and
- Improving enterprise architecture.

Conclusion

The IFF is set at a level that consistently generates net operating revenue in excess of amounts required to recover MAS Program costs, make MAS Program investments, and maintain a risk mitigating buffer. FAS annually assesses the adequacy of ASF reserves as part of its budget process. However, FAS has not performed a specific review to determine whether the IFF rate should be adjusted since FY 2004, when the rate was reduced from 1 percent to 0.75 percent, and FAS has no criteria or methodology for performing such reviews. A critical assessment of steadily rising Program costs should be a part of this evaluation.

The ASF reserves that FAS uses for contingencies and investment had grown to $687.5 million as of September 2009; therefore, FAS should evaluate whether any of these reserves can be returned to the U.S. Treasury.

Reserves accumulated partly from MAS Program net operating revenue are used to fund initiatives benefitting other FAS programs. Managing cost recovery at other than the MAS Program level, while not prohibited by the law that created the ASF, diverges from the purpose of the IFF that has been communicated to MAS customers.

Controls over MAS Program sales reporting and IFF collection have been improved since our previous IFF audit, but could be further enhanced by periodically requiring status updates and proof of payment for open receivables for unpaid IFF found during OIG preaward contract audits.

Internal Controls

The examination of internal controls was limited to those necessary to achieve the specific objectives and scope of the audit. Our results are identified in the body of this report.

Management Comments

Management concurred with recommendations 1 through 4, but took exception to recommendation 5. We worked with FAS to develop a revised recommendation 5 that was acceptable to both FAS and the OIG and have included the revised recommendation in this final report. We have reviewed management's other comments and made changes where we deemed appropriate. Overall, we reaffirm our findings and recommendations. Management's comments are included in their entirety as Appendix B.

APPENDIXES

APPENDIX A

BACKGROUND, OBJECTIVES, SCOPE, AND METHODOLOGY

Background

The Multiple Award Schedules (MAS) Program provides authorized users with a simplified process for acquiring over 11 million commonly-used supplies and services at prices associated with volume buying.[13] This Program is one of the General Services Administration's (GSA's) largest procurement programs, having over 19,000 contracts and $40.2 billion in fiscal year (FY) 2011 sales. GSA negotiates MAS contracts with the objective of achieving the contractor's most favored customer pricing, given similar contract terms and conditions. Authorized users may order supplies or services at the pre-negotiated prices and pay the contractor directly for their purchases.

The MAS Program became self-funded in 1995. At that time, GSA's legacy Federal Supply Service (FSS) established an Industrial Funding Fee (IFF) of 1 percent of sales to be collected and used as follows:

MAS contractors included the fee in their prices and then reported sales and remitted the IFF to GSA quarterly. Program revenues and costs were accounted for in GSA's legacy General Supply Fund (GSF), in accordance with its revolving fund authority.[14] This authority restricted usage of GSF reserves and required that excess reserves be returned to the U.S. Treasury.

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13 GSA Order ADM 4800.2F, Eligibility to Use GSA Sources of Supply and Services, specifies the agencies, activities, and organizations that are eligible to use GSA Schedule contracts. Authorized users include federal agencies, state and local governments, and other organizations meeting eligibility requirements.

14 U.S.C. Title 40, Section 321 authorized the General Supply Fund and the Fund's uses and processes.

In 1999, we conducted an audit of the FY 1997 and FY 1998 IFF. The audit found that, with MAS Program sales then averaging $6.7 billion annually, the IFF had generated almost twice the revenue needed to recover MAS Program costs.[15] As a result, we recommended that the Commissioner of FSS adjust the IFF to bring revenue in line with costs, establish criteria for determining when future adjustments to the fee would be needed, and strengthen controls and oversight. In FY 2004, FSS reduced the IFF from 1 percent to 0.75 percent. The last time surplus MAS revenue was returned to the U.S. Treasury was FY 2006, at which time FSS returned $92 million in FY 2004 funds.

Since then, the organizational structure of GSA has changed significantly. The GSA Modernization Act, Public Law 109-313, was passed by the 109th Congress on October 6, 2006. This law established the Federal Acquisition Service (FAS) by combining GSA's legacy Federal Technology Service and FSS. In the new FAS organization, MAS schedules that FSS had previously managed as a single program were broken out across three business portfolios, and FAS ceased managing for cost recovery at the MAS Program level.

Public Law 109-313 also established the Acquisition Services Fund (ASF) by combining the legacy Information Technology Fund and the GSF. The ASF is a revolving fund that FAS uses to account for revenues and costs of the MAS Program, as well as its various other procurement programs. IFF revenue that exceeds current fiscal year costs is retained in three ASF reserve accounts (working capital, business, and investment) to provide a risk mitigating buffer, fund system improvements, and make other large strategic investments in FAS programs. While excess reserves in the ASF are still required to be returned to the U.S. Treasury, the ASF has greater latitude regarding reserve retention and use than the legacy GSF had.

MAS Program sales and revenue have climbed substantially since the IFF rate was last reviewed and adjusted. While growth of MAS sales and revenue has slowed in recent years, it remains positive. FY 2011 IFF revenue was $287.6 million.

Objectives, Scope, and Methodology

The objectives of our audit were to determine whether: (1) the IFF is appropriately structured and set at a level that provides a reasonable amount of revenue for FAS to recover MAS Program costs, make appropriate investments, and maintain a risk mitigating buffer; and (2) controls for the IFF collection process promote accurate and timely payment of these fees.

To accomplish the objectives of our audit, we performed the following steps:

- Reviewed relevant reports from the Government Accountability Office and GSA's Office of Inspector General;

[15] "Audit of the Federal Supply Service's Industrial Funding Fee for the Schedules Program," Report Number A833309/F/H/V99513 dated May 28, 1999.

- Reviewed reports issued by other entities, including an August 2002 report on the IFF by the Logistics Management Institute;[16]
- Evaluated MAS Program revenue and cost information provided by the FAS Office of the Controller, including significant FY 2007 - 2009 variances;
- Performed trend analysis and compared MAS financial data to the Employment Cost Index, Consumer Price Index, and Producer Price Index;
- Reconciled financial data provided by the FAS Office of the Controller to GSA's audited financial statements; and
- Interviewed cognizant FAS officials, including those responsible for FAS financial data and controls over sales reporting and IFF payments.

Concern has been expressed in Congressional testimony that GSA's use of an IFF based on dollars of sales creates a conflict of interest. This testimony stated that earning fees on contracts improperly shifts the incentive from getting the best deal for the taxpayers to keeping prices high to maximize agency fees and profits. However, the scope of our audit did not include assessing whether charging a fee adversely impacts contract pricing. Rather, we evaluated whether the amount of revenue generated by the IFF as it exists is appropriate to support the MAS Program. We performed broad trend analysis from FY 1997, the initial point of our prior IFF audit, through FY 2009. Since FAS was not established until FY 2007, our current IFF audit focused primarily on FY 2007 through 2009 MAS Program financial data, but we updated some information in the report based on data FAS provided after the completion of fieldwork.

We conducted this performance audit from August 2009 through June 2010 in accordance with generally accepted government auditing standards, and obtained additional information and updated data in April, May, and October 2011. 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.

[16] This report, "Federal Supply Service Schedules Program: Business Case Analysis," was prepared for FSS management.

AUDIT OF THE
MULTIPLE AWARD SCHEDULE PROGRAM
INDUSTRIAL FUNDING FEE
REPORT NUMBER A090256/Q/A/P12003

APPENDIX B

MANAGEMENT COMMENTS

GSA

GSA Federal Acquisition Service

December 21, 2011

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

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

SUBJECT: Audit of the Multiple Award Schedule Program Industrial Funding Fee Report Number A090256

Thank you for the opportunity to provide comments to the above report. We partially concur with the report as written and will be preparing time-phased action plans to address. Our comments are provided in the attached document.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Andrew Roach at (703) 605-2976 or andrew.roach@gsa.gov for additional information.

Attachments

U.S. General Services Administration
2200 Crystal Drive
Arlington, VA 20406-0003
www.gsa.gov

REVIEW OF THE MULTIPLE AWARD SCHEDULE PROGRAM INDUSTRIAL FUNDING FEE
REPORT NUMBER A090256

FAS Comments & Concerns

FAS management has reviewed the GSA Inspector General's Review of the Multiple Award Schedule Program Industrial Funding Fee report and finds that the report is at times misleading, lacking context, or does not account for existing processes. These mis-characterizations serve to unfairly undermine the integrity of the financial policies and management of FAS. It is important that FAS customers and stakeholders are made aware of these mis-representations; as such this response will outline those instances that management finds noteworthy.

Recommendations

Recommendation 1 – *Evaluate the current IFF rate, considering needed investments and reserves, and adjust the IFF rate as necessary.*

FAS concurs with this recommendation.

Recommendation 2 – *Develop and establish criteria and methodology for evaluating, on a periodic basis, whether the IFF rate is properly set.*

FAS concurs with this recommendation.

These two recommendations do not acknowledge the annual budget process employed by FAS. This process, which has been documented for the IG, specifically mentions the review of all program rates. The fact is that FAS does in fact have criteria and methodology for evaluating all FAS program rates in a consistent and rigorous manner on an annual basis. Quoted from the FAS Budget Process document provided to OIG [emphasis added]:

> Once business volumes forecasts are complete, operating expense plans are developed, and allocations are refined with updated workload measurements, **each business line, in coordination with the Office of the Controller, reviews their rates** to ensure they allow for full cost recovery and that they provide best value to FAS customers. It should be noted that **the fundamental elements in determining rates are expected demand and the cost structure of the organization**. By comparing various scenarios, management can make an informed decision on funding requirements and the consequential effect on rate setting.

As noted, this process is not limited to the MAS Program; rather it is applied to all programs in FAS. In formulating the budget, every line of every program's Statement of Operations is considered including the rates that generate revenues. This includes analysis of prior year results and forecasts that extend 5 years. FAS actively manages rates, gross margins, operating expenses, General Management & Administrative expenses, reserve contributions, and Net Operating Results on an on-going and continuous basis. To create special criteria and methodology to the MAS Program would be redundant, since the same criteria would apply to all FAS programs.

Recommendation 3 – *Evaluate the current ASF reserves, determine whether funds should be returned to the U.S. Treasury, and make any returns deemed appropriate.*

FAS concurs with this recommendation.

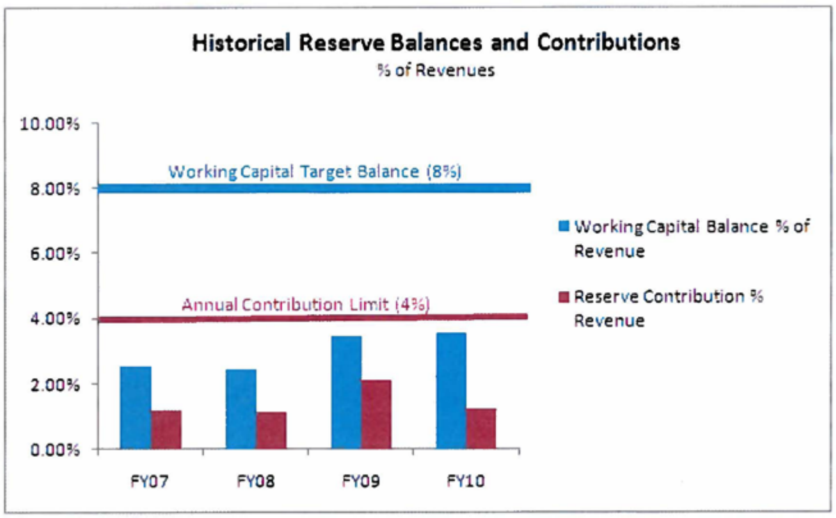
The ASF Capitalization Policy document was provided to the IG, the purpose of which is to define in great detail the criteria and thresholds for each reserve fund and when funds should be returned to Treasury. Quoted from the Capitalization Policy document:

It is recommended that...8.0 percent of annual sales – be retained in the ASF to meet Tier One capitalization requirements rather than applied to other funding needs or returned to the Miscellaneous Receipts of the Treasury (p5 – Cost & Capital Plan Policy)

...

While there is no set amount for funding of such *Investment Reserves*, retention of up to 4 percent (4%) of annual sales is established for the FAS. Authorizing legislation for many of the Federal Government Franchise Funds specify **4 percent (4%) as the amount that can be retained** as a reserve for acquisition of capital investment and enhancement of support systems **before funds are returned to Treasury**. (p11– Cost & Capital Plan Policy)

The chart below clearly shows that the ASF is well within its reserve balance targets and contribution limits. This historical perspective highlights the fact that when the ASF was created, it was severely under-capitalized as a result of the legacy FTS organization being on the verge of insolvency. While FAS has successfully managed its financial position since its creation, it is important to remember the very real risks of insolvency it faced from the onset. In addition, the legislative action that created FAS directly addressed the underlying cause of the risk that the legacy organizations faced: the ability to retain earnings.



Recommendation 4 - *Inform MAS customers that the IFF may be used to fund initiatives benefitting other programs or offset losses in other FAS programs. At a minimum, this can be done by revising General Services Acquisition Regulation 552.238-74.*

FAS concurs with this recommendation.

FAS does not agree with the unstated premise that MAS customers are not informed of FAS' ability retain earnings at the fund level. The GSA Modernization Act states:

> Fees collected by the Administrator under section 313 of this title may be deposited in the Fund to be used for the purposes of the Fund.

In addition to enjoying greater visibility, legislative action, of course, takes precedence over agency regulation. As such, FAS considers customers to be informed of this fact.

However, FAS will be happy to consider the inclusion of such language to indicate that all FAS programs are managed within a larger fund that is authorized by law to retain earnings and, as such, any program fee revenue contributes to the solvency of the fund as a whole and is not limited strictly to any particular program.

Recommendation 5 - *Establish a formal policy requiring that claims be established in lieu of receivables when (a) unpaid IFF is identified by the Office of Inspector General in pre-award contract audits and (b) contracting officers concur with these findings. Convert any open receivables that meet these criteria to claims.*

FAS does not concur with this recommendation.

FAS has a formal claims policy in place, which was shared with the IG, that requires MAS ACOs to establish claims for overdue IFF exceeding $1,000 identified by the OIG in pre-award contract audits. Assuming no contractor dispute exists, formal claims are established when a) unpaid IFF exceeding $1,000 is identified by the OIG in pre-award contract audits, (b) ACOs concur with OIG findings, (c) unpaid IFF becomes overdue following the 30-day IFF payment period, and (d) overdue IFF is not paid following the approximate 40-day Demand for Payment process. If a contractor disputes OIG pre-award audit findings, ACOs are required to pursue legal concurrence through regional legal counsel to establish a formal claim. [See Appendix A for further details]

<u>Narrative</u>

FAS management specifically takes issue with the following statements:

- Perhaps the most objectionable instance occurs in the discussion of objectives, scope, and methodology where the report cites Congressional testimony that "stated that earning fees on contracts improperly shifts the incentive from getting the best deal for the taxpayers to keeping prices high to maximize agency fees and profits" (A-3).
    - Inclusion of this statement is inflammatory and irrelevant to the purpose of the audit. In fact, the next sentence acknowledges that "the scope of our audit did not include assessing whether charging a fee adversely impacts contract pricing."
    - Inclusion of this argument, in FAS' opinion, does not comport with GAO Government Auditing Standards (GAGAS), which instructs auditors to ***"present sufficient, appropriate evidence to support conclusions while refraining from** using adjectives or adverbs that characterize evidence in a way that implies criticism or **unsupported conclusions**"* (A7.02 – b). The GAGAS also notes that *"[e]xtraneous detail detracts from a report, may even conceal the real message, and may confuse or distract the users"* (A7.02 – f). The argument above is entirely unsupported by the IG or its disclosure of any support that may or may not have been presented in the testimony cited. Lacking any such evidence to support this second-hand conclusion, the IG should not include it in the report.
    - This argument also does not align with the reality that FAS actively studies how its prices compare to commercial prices. In 2010 FAS conducted a study of office supplies offered through the MAS program and found that GSA Schedule prices were 40% to 80% lower than commercial prices when comparing identical items. In 2011 FAS conducted a similar study of tool and furniture offered through the MAS program and has set aside funds for a study on two, yet to be determined, MAS offerings in 2012.

- This discussion is not balanced with any mention of the fact that FAS has operated on an un-appropriated, non-mandatory source basis since 1994. From a financial perspective, in many ways FAS operates like a private sector business recovering costs through fees charged to customers in exchange for goods and services. If customers feel that the services rendered in exchange for the IFF are not equitable, customers will find other methods of supply. As such, any validity to the notion that FAS has an incentive to keep prices high is mitigated and counteracted by the incentive of retaining customer business and the dis-incentive of losing business if prices are too high. Any implication that FAS is price-gouging customers without mention of FAS' non-mandatory status is an egregious omission that is primed to be taken out of context.

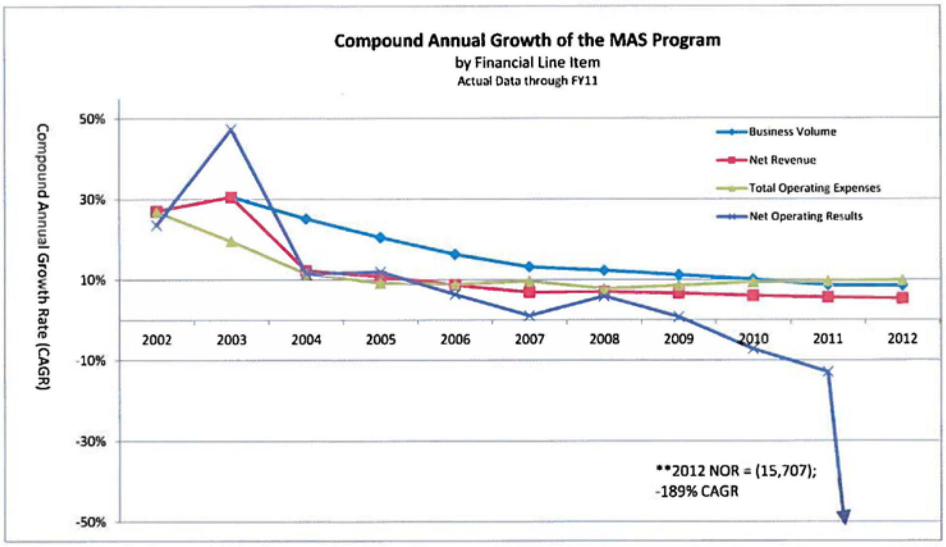
- *However, the IFF is set at a level that consistently generates net operating revenue in excess of amounts required to recover MAS Program costs, make MAS Program investments, and maintain a risk mitigating buffer* (pi)
  - The report does not actually define what the IG considers appropriate to maintain a 'risk mitigating buffer'. As such, there is no basis to conclude that the IFF generates revenue in excess of amounts required to recover costs, investments and maintain a risk mitigating buffer. In fact, this is a factually untrue statement since FAS has, in fact, defined specific requirements to 'maintain a risk mitigating buffer'. The Cost & Capital Plan (as provided to the IG) defines the purpose of Working Capital reserve to fund the day-to-day operations of FAS and serves as a 'risk mitigating buffer'. As discussed in response to Recommendation 3, FAS has not come close to its balance targets or contribution thresholds.
  - Additionally, FAS has operated, from its inception, with an infrastructure deficit. Modernization of FAS legacy business systems, which are critical to serving FAS' federal customers, requires tremendous investment. FSS-19, which services the operations that generate over $3 billion in annual sales, is three decades old. As a result, technical expertise that can service such a platform is severely limited. As a result, FAS experiences significant risk of system failure. While other FAS systems are not quite as old as FSS-19, they were not developed in a modular fashion such that one system could be turned off while maintaining operational continuity. Indeed, the interdependence of many FAS legacy business systems is quite significant. Additionally, because these business systems are so old, they lack the flexibility to directly interface with newer applications, namely GSA's financial system of record. As a result, numerous, resource consuming reconciliations are required to ensure the validity of the data. From a financial perspective, this creates the risk of mis-stating FAS financial position.
- *Excess reserves are required to be returned to the U.S. Treasury; however, no returns have been made since FY 2004 excess funds were returned in FY 2006* (pi)
  - All reserve funds have been identified as having a specific investment purpose or contributing to the Working Capital reserve. As illustrated in the chart above, there are no excess reserves to be returned.
- *The total balance in the three ASF reserve accounts as of September 2009 was $687.5 million. Accordingly, FAS should determine whether any ASF funds can be returned to the U.S. Treasury* (p2) –
  - This statement, in conjunction with the one immediately above, implies that excess funds are available to be returned, yet the report does not establish this fact. Instead the report simply cites a large number without discussing what the appropriate reserve requirement should be and on what basis the reserve requirement is determined.
- *Since the MAS Program is a mature Program with a lengthy sales history, we see no compelling reason to believe it will not continue to experience at least modest growth (p7)*
  - This conclusion that the program will "experience at least modest growth" has no logical basis in premise that MAS is a mature program. The IG does not discuss any relevant considerations to arrive at this conclusion. Such considerations might include a standard SWOT analysis, which would entail market analysis, customer funding, supply chain management, as well as the implications of the current political environment, just to name a few. In fact, as illustrated in the chart below showing MAS growth, Net Operating Results are expected to continue to show negative growth.

- *Growth in MAS sales and revenue has moderated in recent years but remains positive, and excess revenue has consistently been substantial* (p10).
    - The characterization of excess revenues as 'substantial' is subjective and undefined; the report does not provide the criteria used to determine what constitutes "substantial". Additionally, the Net Operating Result [excess revenue] has experienced 1%, 6%, 1%, -7%, and -12% annualized growth from FY07 through FY11 respectively over FY01 levels. As noted in a discussion above, NOR growth is expected to be negative over the next few years.
- *If a contractor fails to [pay IFF], an automated delinquency notice is generated within 30 days after payment is due. If an additional 45 days pass without payment, FAS sends information about the delinquent contractor to GSA's Office of Finance. The Office of Finance forwards this information to the U.S. Treasury if the amount owed exceeds a certain threshold (currently $1,000) and establishes a formal claim.* (p 4)
    - The MAS Demand for Payment process lasts approximately 40 days, not 75 days.
    - As part of the Demand for Payment process, automated delinquency notices are generated within 10 days after payment is due, not within 30 days.
    - MAS ACOs, not the Office of Finance, formally establish claims and do so when they generate the Demand for Payment letter at the end of the Demand for Payment process.
    - The Demand for Payment letter is forwarded to GSA's Office of Finance where the debt is serviced for 90-180 days before the claim is transferred to the U.S. Treasury for servicing.

Growth of the MAS Program

The report uses non-standardized quantitative comparisons to illustrate the growth of the MAS Program. One such example is a discussion of business volume growth where the report states "[from FY98 to FY04] sales had quadrupled" (p6). This is followed by a discussion of revenues (which differ from business volume in that revenue is generated from the IFF, whereas business volume represents sales vendor sales through MAS) from FY07 – FY12. Such analysis based on varying time frames at varying points in the past doesn't provide a basis for comparison or context for the reader. A comparison of annualized growth over time from a common start date would, however, provide the relevant context. Compound Annual Growth Rate is a commonly accepted metric for growth in the financial and statistical community and allows for an 'apples-to-apples' comparison of values over time. Use of absolute growth mis-represents the actual context of the rate of growth. [CAGR = (End value/Beginning value)^(1/years)-1].

Below is a chart of compound growth of various accounts since FY2001 with actuals through FY2011:



Viewing compound growth from 2001 to 2012 illustrates how different things look when the numbers are annualized as opposed to absolute percentages without considering the period of time for the variance.

The implication (if not the recommendation) that the IFF should be reduced, as illustrated in the report narrative, is based on a flawed analysis of the state of the MAS Program. One could argue that a lower IFF would increase the growth of business volume, but since the 2004 IFF reduction, revenue and NOR growth has decreased faster than business volume. Indeed since the 2004 IFF adjustment, NOR growth has declined dramatically and has achieved negative compound growth for the first time in FY2010, a trend which is continued in FY2011 and which is expected to continue. If anything, given the trend of increasing growth of costs and decreasing growth of revenues, one might conclude that the fee customers are paying is actually *too low*. The report briefly touches on this in Figure 6 (p8) "Costs Per Additional Dollar of Revenue", yet the focus and tone of the report in general seems to be concerned with portraying the MAS Program as a price gouging enterprise used to fund the ASF.

MAS Value to Customers

The report mentions the "basic" level of service provided to all customers as well as enhanced service for larger customers. Yet, the impression left on the reader is that there has been no effort to improve or expand the level of service. While this concern was noted by FAS management in each meeting with OIG representatives prior to issuance of this draft report, OIG chose not to include more complete and representative information.

FAS is currently implementing comprehensive improvements to the MAS program in several areas which will benefit customers, contractors, and the FAS acquisition workforce. These areas include training, communications, process improvements, and systems enhancements which include the following:

- Continuous refreshing of the MAS contracts provides access to the latest suppliers and solutions. In fiscal year 2010, the MAS program processed over 5,000 new offers and 40,000 contract modifications

- Educating and reviewing supplier compliance with key contractual terms to support the integrity of the MAS program. In fiscal 2010, FAS Supplier Management Division conducted over 6,000 Contractor Assistance Visits and issued over 6,000 Report Cards.
- Provide eTools to help customers through the ordering process. In fiscal year 2010, over 73,000 electronic Request for Quotes, with an estimated dollar value of $8 billion, were received and had on average 3 quotes per RFQ. GSA Advantage! has over 800,000 registered users and receives 500,000 visits a day
- FAS provides free training to customers on effective use of the MAS program and eTools. During 2009 and 2010, training at the GSA EXPO combined with that of the Customer Service Director network, resulted in 4,595 Continual Learning Points (CLPs) being awarded to attendees on topics directly related to effective use of the MAS Program. In addition, during the same period, 21,173 CLPs were issued for training on effective use of GSA eTools that facilitates the MAS ordering process. In addition, during 2009-2010, FAS Acquisition Centers, which award and manage MAS contracts, have provided MAS training seminars to approximately 2,400 customers.
    - See Appendix B for a more detailed list of training and communications accomplishments

Appendix A

MAS IFF Collection Process and Formal Claims Policy for Overdue Unpaid IFF Identified by the OIG in Pre-award Contract Audits

After receiving OIG pre-award contract audit reports, ACOs first work with the contractor to formally report the unreported sales associated with any unpaid IFF cited in the report. If the contractor agrees with the OIG's findings, the contractor will report the unreported sales and will subsequently be granted the standard 30-day IFF payment period to pay the associated IFF. If the contractor does not pay the IFF following the 30-day IFF payment period, the Demand for Payment process begins. Following the approximate 40-day Demand for Payment process, ACOs will establish a formal claim against any overdue unpaid IFF that was identified by the OIG.

If the contractor disagrees with the OIG's findings, the ACO will collect all relevant supporting documentation (e.g. purchase orders, invoices, task orders, quotes, subcontracts, contractor teaming arrangements, etc.) from the contractor and conduct an extensive review of the unpaid IFF cited in the OIG pre-award audit report. Upon completion of this review, ACOs determine if they concur with the OIG's findings.

- If the ACO concurs with the OIG's findings, the contractor will be required to report the unreported sales cited in the OIG audit report and to pay the associated IFF owed during the standard 30-day IFF payment period.

- If the ACO does not concur with the OIG's findings, the contractor will be required to report the amount of unreported sales that the ACO determines to be accurate and will subsequently be granted the standard 30-day IFF payment period to pay the associated IFF. Note that in this case, the unpaid IFF amount will be either higher or lower than the BATS receivable amount.

In both cases, if the contractor fails to pay the IFF owed following the 30-day IFF payment period, it is considered overdue and the Demand for Payment process begins. Following the approximate 40-day Demand for Payment process, ACOs will establish a formal claim against any overdue IFF associated with the OIG pre-award audit report. In a situation where a contractor dispute exists, the ACO must pursue legal concurrence through regional legal counsel in order to establish a formal claim.

A Formal Line of Communication Could be Established Between the Supplier Management Division, Office of Acquisition Management and BEI to more Efficiently Monitor and Reconcile the Status of Receivables

While BEI monitors and reconciles receivables, MAS ACOs simultaneously monitor and reconcile IFF payments for unpaid IFF cited in OIG pre-award contract audit reports. Although MAS ACOs receive calls from FAS audit liaisons requesting status updates for certain receivables, there is no formal line of communication between BEI and Supplier Management, Office of Acquisition Management.

When contractors submit IFF payments to the Office of Finance for unpaid IFF cited in pre-award contract audits anytime during the 30-day IFF payment period or the subsequent 40-day Demand for Payment period, the Office of Finance is often not aware that these IFF payments were submitted to cover BEI receivables. Finance receives IFF payments that generally include the contract number but do not include the reason for the payment. Finance enters IFF payments into the NEAR and Pegasys systems against the appropriate contract number and overnight these IFF payment records are sent to FSS 19, the system used by ACOs to monitor IFF collection. Among other types of IFF payments, ACOs track IFF payments submitted by contractors to cover unpaid IFF resulting from sales adjustments, which includes unpaid IFF cited in OIG pre-award contract audits. In addition, ACOs may determine a different amount of IFF owed than what was originally cited in an OIG pre-award contract audit report, which would also make tracking receivables difficult if BEI were to consult the Office of Finance rather than the ACO.

The Supplier Management Division currently requires ACOs to provide regular status updates to our Central Office OIG Audit Point of Contact (POC) regarding the resolution and reconciliation of unpaid IFF cited in OIG pre-award contract audit reports. We could require our OIG Audit POC to forward regular ACO status updates to a BEI POC so that receivables could be more efficiently monitored and reconciled by BEI. This would also eliminate the need for BEI to monitor and reconcile the status of receivables utilizing FAS audit liaisons and GSA's Office of Finance resources.

Appendix B

Training and Communications Accomplishments
Launched a new MAS training and communication initiative to maximize effective usage of the MAS program across government and support FAS's long-term performance goal of having 75% of the acquisition workforce knowledgeable and experienced on FAS acquisition programs. Overall the initiative resulted in the team receiving a FAS Commissioner's Award in the category of Acquisition Excellence.

The following actions were taken in FY11 in support of MAS training and communications:

- MAS Portal Redesign launched, including web 2.0 and social media training, and online resources (January 2011);
- Completed Instructor Led Training (ILT) course development and launched pilot program (March 2011);
- Web-based version of courses made available on GSA's Center for Acquisition Excellence (March 2011);
- Established a Service Delivery Model Strategy in collaboration with the FAS Office of Strategy Management and Office of Customer Accounts and Research (CAR) presented and approved by MAS Governance Council (March 2011);
- Launched monthly webinars (April 2011);
- Automated monthly webinar registration and ability to issue Continuous Learning Points (CLPs) toward Federal Acquisition Certification (FAC) Programs (July 2011);
- Launch of MAS training video YouTube channel (August 2011); and
- Completed ILT pilot program (August 2011).

The above actions have resulted in FAS launching an improved design of the MAS portal as well as implementation of an ILT pilot program to provide enhanced MAS training and educational material.

The new MAS portal platform harnesses web 2.0 and social media technology to disseminate education material by utilizing video and audio podcasts as well as web-based publications/materials, such as completely improved web-based version of the MAS desk reference guide. Through an established social media and web 2.0 presence on Facebook, Twitter, YouTube, Apple iTunes, and FAS's social media platform, Interact - including a MAS Blog - this platform allows the acquisition workforce across Government collaborate and share MAS best practices.

By the end FY 11 this platform has achieved the following results:

- 'Multiple Award Schedules' is the largest and fastest growing acquisition group on Interact.gsa.gov with 2,300 subscribers and 47 blog posts, approximately 300 twitter followers, and over 300 Facebook fans;
- Monthly webinars achieving an average satisfaction rate of 88%;
- Average of 40,000 visitors to gsa.gov/schedules every month; and
- Over 34 YouTube style training video segments and 3 audio podcasts on gsa.gov/masnews.
    - Approximately 1,800 views of MAS training videos on YouTube since August.

Additionally, FAS in partnership with the Federal Acquisition Institute (FAI) developed and piloted two ILT courses, titled, "Using Multiple Award Schedules – An Overview: (4 hours), "Using Multiple Award Schedules – Advanced" (16 hours), covering all aspects of using the MAS program from acquisition planning to close-out. Additionally, 1-2 hours topically based modules were developed and piloted as well.

Pilot courses offerings were conducted at eleven Defense and civilian locations, with the following results:

- 34 pilots completed, approximately 1,650 members of acquisition workforce trained, and approximately 4,100 Continuous Learning Points (CLPs) issued toward FAC certification;
- Survey results from the pilots have demonstrated positive feedback:
    - 93% gained knowledge applicable to their job;

- 87% would recommend the training to others; and
- 91% were satisfied with the course.

Systems Enhancements
Development of the Enterprise Acquisition Solution (EAS) is a comprehensive effort to transition all FAS acquisition programs to a paperless environment. FAS has already implemented portions of EAS which have enabled the FAS to mandate that all MAS offers and modifications be submitted electronically. Further enhancements currently being piloted will facilitate the electronic submission of all pricing information through a Formatted Pricelist (FPL) which will further enhance the ability of FAS contracting personnel to conduct price analysis in evaluating MAS offers.

The FPL will also result in awarded products and services to be available immediately through the e-Tools (GSA Advantage! and e-Library) managed by FAS.

Enhanced competition requirements in FAR 8.4 recognize the ability of e-Buy to foster robust competition at the task order level. The combination of enhanced competition requirements, increased pricing transparency, and comprehensive training offerings should result in significant improvement in the effective use of MAS contracts by customer agencies. The ability to take advantage of each of these program improvements through an electronic interface is transformational, and the failure of this report to mention any of these FAS initiatives (which have been briefed to the same OIG representatives on multiple occasions) results in an inaccurate portrayal of the facts.

AUDIT OF THE
MULTIPLE AWARD SCHEDULE PROGRAM
INDUSTRIAL FUNDING FEE
REPORT NUMBER A090256/Q/A/P12003

APPENDIX C

REPORT DISTRIBUTION

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Deputy Commissioner, Federal Acquisition Service (Q1)

Chief of Staff, Federal Acquisition Service (Q0A)

Director, GAO/IG Audit Response Division (H1C)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Investigations (JID)

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