



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

# Audit of GSA's Acquisition of Vehicles

*Report Number A110105/Q/A/P12001  
December 14, 2011*



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

## REPORT ABSTRACT

### OBJECTIVES

The objective of this audit was to evaluate procurement practices within the Office of Travel, Motor Vehicle, and Card Services to determine if vehicle acquisitions are awarded and administered in accordance with applicable laws, regulations, policies, and procedures.

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### **Audit of GSA's Acquisition of Vehicles**

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#### **WHAT WE FOUND**

After reviewing procurement practices for vehicle acquisitions within the Office of Travel, Motor Vehicles, and Card Services, we found the following:

Finding 1 – The required approval was not obtained for acquisition plans, which puts the acquisitions at risk.

Finding 2 – The lack of coordination with the Office of General Counsel on high-dollar acquisition plans affects the integrity of the planning process and puts the award at risk.

Finding 3 – Pre-Negotiation Clearance Panels were not conducted when required, which compromises the quality of negotiations.

Finding 4 – Contracting officers did not maintain a complete record of all acquisition steps and actions executed in contract files leading to inadequate contract file documentation.

#### **WHAT WE RECOMMEND**

We recommend that the Commissioner of the Federal Acquisition Service:

Recommendation 1 – Increase supervisory oversight during acquisition planning to ensure all acquisition plans are approved by the appropriate official prior to issuing the solicitation.

Recommendation 2 – Implement a procedure to ensure all applicable acquisition plans are coordinated with the Office of General Counsel prior to approval of the acquisition plan.

Recommendation 3 – Strengthen management controls over the pre-negotiation process to ensure Pre-Negotiation Clearance Panels are properly conducted and documented when required.

Recommendation 4 – Improve and standardize the contract file documentation process to ensure (1) contract file documents are complete and accurate, (2) all completed actions and steps have supporting documentation, (3) each file is organized according to a completed index or checklist, and (4) the transfer of files between contracting officers is clearly documented and an inventory of contract file documents is recorded.

#### **MANAGEMENT COMMENTS**

The Commissioner of the Federal Acquisition Service agrees with the report findings.



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

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DATE: December 14, 2011

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

FROM: Lindsay S. Mough *Lindsay S Mough*  
Audit Manager, Acquisition Programs Audit Office

SUBJECT: Audit of GSA's Acquisition of Vehicles  
*Report Number A110105/Q/A/P12001*

This report presents the results of our audit of GSA's Acquisition of Vehicles. Our findings and recommendations are summarized in the Report Abstract. Instructions regarding the audit resolution process can be found in the email that transmitted this report.

Your written comments to the draft report are included in Appendix B of this report.

If you have any questions regarding this report, please contact me or any member of the audit team at the following:

Lindsay Mough	Audit Manager	<a href="mailto:lindsay.mough@gsaig.gov">lindsay.mough@gsaig.gov</a>	703-603-0269
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On behalf of the audit team, I would like to thank you and your staff for your assistance during this audit.

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## ***Introduction***

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The General Services Administration (GSA) is the mandatory source under the Federal Property Management Regulations<sup>1</sup> for all non-tactical vehicles for Federal executive agencies in the United States. GSA's Office of Travel, Motor Vehicle, and Card Services (TMVCS) administers the motor vehicle programs. The Office of Acquisition Operations (AO) awards and administers the contracts for TMVCS' products and services. AO's Center for Vehicle Acquisition develops and executes all of the motor vehicle contracts for GSA.

The Center for Vehicle Acquisition uses several different procurement methods when acquiring vehicles for GSA customers. These procurement methods include, but are not limited to, multiple negotiated indefinite-delivery indefinite-quantity (IDIQ) contracts, definite-quantity contracts, and simplified acquisitions.

The government uses IDIQ contracts when it cannot predetermine, above a specified minimum, the precise number of vehicles required during the contract period. IDIQs satisfy the customer's recurring need of vehicles. A multiple negotiated IDIQ is awarded to more than one contractor under a master contract. The Center for Vehicle Acquisition maintains a master contract file for the solicitation, as well as each contractor's individual contract file for the award and administration documents specific to the contractor.

Definite-quantity contracts provide a specified definite quantity of vehicles for a fixed period with deliveries or performance scheduled at designated locations upon order.

Simplified acquisition procedures apply when the estimated value of the vehicle(s) requested does not exceed the simplified acquisition threshold.<sup>2</sup> Simplified acquisition procedures apply to Express Desk orders. The Express Desk processes vehicle orders for government agencies with urgent and compelling requirements.

The objective of this audit was to evaluate procurement practices within the Office of Travel, Motor Vehicle, and Card Services to determine if vehicle acquisitions are awarded and administered in accordance with applicable laws, regulations, policies, and procedures.

To accomplish the objective, we sampled and reviewed IDIQ, definite-quantity, and Express Desk contracts. See Appendix A – Purpose, Scope, Methodology, and Internal Controls for additional details.

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<sup>1</sup> Federal Property Management Regulations 101-26.501

<sup>2</sup> The Federal Acquisition Regulation's simplified acquisition threshold is \$150,000. Prior to the start of fiscal year 2011, the simplified acquisition threshold was \$100,000.

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## Results

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The Office of Acquisition Operations' (AO) Center for Vehicle Acquisition did not consistently award and administer vehicle acquisitions in accordance with applicable laws, regulations, policies, and procedures. Specifically, we identified issues with acquisition planning, Pre-Negotiation Clearance Panels (PNCs), and contract file documentation.

### **Finding 1 – Required approval not obtained for acquisition plans puts acquisitions at risk.**

If contracting personnel do not obtain proper approval of acquisition plans, the acquisition process is more susceptible to mismanagement and may result in wasted resources and customer dissatisfaction. The General Services Administration Acquisition Manual (GSAM) provides regulations in Subpart 507.1 for greater oversight and risk management during acquisition planning. Specifically, GSAM 507.1 requires a certain level of approval for acquisition plans based on estimated dollar value thresholds.<sup>3</sup>

We reviewed ten acquisition plans valued above the simplified acquisition threshold, which required approval above the contracting officer level. We found four plans did not have the appropriate level of approval, two of which were valued above \$20 million and \$50 million respectively. Further, we could not confirm the date of approval for two other acquisition plans, which required approval from the Head of Contracting Activity. Therefore, we could not determine if the acquisition plan was approved prior to issuance of the solicitation. The contract files did not contain sufficient documentation to determine a reason proper approval did not occur for these contracts.

Obtaining and documenting proper approval on acquisition plans provides integrity to the entire acquisition planning process. Experienced contracting personnel are more likely to identify and apply specific considerations to complex acquisitions.

### **Recommendation 1**

We recommend that the Commissioner of the Federal Acquisition Service:

Increase supervisory oversight during acquisition planning to ensure all acquisition plans are approved by the appropriate official prior to issuing the solicitation.

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<sup>3</sup> Below the simplified acquisition threshold (SAT) requires approval by a contracting officer. SAT to \$5.5 million requires approval one level above the contracting officer. Over \$5.5 million to \$20 million requires approval by the Contracting Director. Over \$20 million to \$50 million requires approval by the Regional Commissioner or Deputy. Over \$50 million requires approval by the Head of Contracting Activity.

**Finding 2 – Lack of coordination with the Office of General Counsel on high-dollar acquisition plans affects the integrity of the planning process and puts the award at risk.**

Contracting officers have a fiduciary responsibility to award contracts that are in the best interest of the taxpayers. Consultation with the GSA's Office of General Counsel (OGC) on high-dollar value acquisition plans provides additional oversight to ensure contracts are planned and awarded in a way that protects the Government's interests. GSAM 507.1 requires coordination with OGC for acquisitions plans with estimated values over \$20 million.

During our survey phase, we reviewed three acquisition plans with estimated values between \$392 million and \$1.4 billion; none of which evidenced coordination with OGC. During discussions with management, they acknowledged our observations but generally could not provide a reason the coordination did not occur. In one case, the awarding contracting officer was no longer with the organization; and therefore, management stated they could not provide an explanation. Regardless, management is aware of this requirement and should ensure OGC coordination takes place prior to approving acquisition plans over \$20 million. We were informed by management that as of the second quarter of 2010, all applicable acquisition plans were coordinated with OGC and documented in the plan.

During the fieldwork phase, we reviewed two acquisition plans prepared after the second quarter of 2010 requiring OGC coordination. We found that one of those plans did not have evidence of coordination. In this case, contracting personnel were not aware of the correct requirement. A team lead stated that in accordance with GSA Order 2800.1, this particular plan did not require coordination with OGC. However, that GSA Order was cancelled in May 2009 and the acquisition plan was subject to the GSAM 507.1 requirement.

Coordinating with OGC provides integrity to the entire planning and award process. In addition, contracting officers can ensure the acquisition complies with laws and regulations and that OGC is familiar with the acquisition in the event their assistance is needed during contract award and administration.

**Recommendation 2**

We recommend that the Commissioner of the Federal Acquisition Service:

Implement a procedure to ensure all applicable acquisition plans are coordinated with OGC prior to approval of the acquisition plan.

### **Finding 3 – Pre-Negotiation Clearance Panels not conducted when required compromises the quality of negotiations.**

The purpose of conducting PNCPs<sup>4</sup> is to ensure quality in negotiating significant contract actions and assist contracting officers in achieving the greatest possible discounts for customer agencies. Consequently, by not conducting PNCPs, negotiation objectives may not reflect a reasonable, appropriate, and sound business judgment. AO policy requires PNCPs for automotive contracts valued at \$2 million or more, for modifications increasing the automotive acquisition over \$2 million, for major automotive companies, and for sensitive acquisition actions.

We reviewed ten contracts requiring PNCPs and found contracting officers did not conduct PNCPs for seven of the ten contracts. The negotiated values of these contracts ranged from \$1.1 million for a base plus two-option year contract<sup>5</sup> to approximately \$594 million for a base plus four-option year contract. Management could not provide an explanation for not conducting PNCPs or locate evidence of conducted PNCPs because the contracting officers involved with these acquisitions are no longer with the Center for Vehicle Acquisition. Nevertheless, the Center for Vehicle Acquisition is ultimately responsible for the contracts awarded, even after the departure of contracting officers.

PNCPs are essential to providing quality to the overall negotiation process. By conducting PNCPs, contracting officers can ensure negotiations are planned and discussed with knowledgeable acquisition personnel. These panels can assist the contracting officer in achieving the greatest possible discount.

#### Recommendation 3

We recommend that the Commissioner of the Federal Acquisition Service:

Strengthen management controls over the pre-negotiation process to ensure PNCPs are properly conducted and documented when required.

### **Finding 4 – Contracting officers did not maintain a complete record of all acquisition steps and actions executed in contract files leading to inadequate contract file documentation.**

The contract file is the official record binding the Government to contractors; therefore, contracting officers must ensure the file provides a complete, logical record of the acquisition. In addition, the contract file is the basis for contract reviews, protests, and disputes. If contract file documentation is missing, incomplete, or inaccurate, it compromises the official contract record and the integrity of the acquisition process.

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<sup>4</sup> PNCPs discuss technical, price, and negotiation information prior to negotiations with potential contractors. The PNCP members can include program office management and/or staff, team leaders, legal, and/or acquisition personnel.

<sup>5</sup> A modification increased the contract value to over \$2 million.



According to Federal Acquisition Regulation 4.801, files should contain records of all contractual actions. In addition, GSAM 504.803 requires contract files to have an index or contract file checklist, which labels and organizes the file's contents.

Contracting officers did not follow requirements for proper contract file documentation. We identified the following contract file documentation deficiencies:

- Nine contract files had incomplete or inaccurate documents. This includes, but is not limited to, missing contracting officer signatures on important contract actions, lack of detail in negotiation documents, discrepancies between contract file documents, and mislabeled or unlabeled documents.
- Five contract files had missing documentation such as important correspondence with offerors, synopsis/solicitation documents, and explanations of significant delays in acquisitions.
- Seven contract files did not have a contract file checklist.

Personnel turnover within the Center for Vehicle Acquisition may have contributed to inadequate contract file documentation. Eleven out of fifteen contract files had between two and four contracting officers responsible for the contract's actions. As shown in the other findings, management often could not answer for contract actions because the contracting officers are no longer with the Center for Vehicle Acquisition. However, management is ultimately responsible for the contracts and should be able to provide an explanation regardless of turnover.

It is essential that documentation in the contract files is sufficient to constitute a complete history of the contract in order to provide a complete background as a basis for informed decisions at each step in the acquisition process and to support actions taken.

#### Recommendation 4

We recommend that the Commissioner of the Federal Acquisition Service:

Improve and standardize the contract file documentation process to ensure (1) contract file documents are complete and accurate, (2) all completed actions and steps have supporting documentation, (3) each file is organized according to a completed index or checklist, and (4) the transfer of files between contracting officers is clearly documented and an inventory of contract file documents is recorded.

#### Management Comments

The Commissioner of the Federal Acquisition Service agrees with the report findings. Management's written comments to the draft report are included in their entirety as Appendix B.

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## ***Conclusion***

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The Office of Acquisition Operations' Center for Vehicle Acquisition did not consistently award and administer vehicles acquisitions in accordance with applicable laws, regulations, policies, and procedures. We found that contracting officers did not comply with approval and coordination regulations for acquisition plans. Without proper oversight in the planning process, acquisitions are at greater risk for mismanagement and may cause a waste of resources and customer dissatisfaction. In addition, contracting officers did not always conduct PNCPs, when required, in preparation for negotiations. By not conducting PNCPs, contracting officers may not benefit from the requisite knowledge of experienced panel members when developing negotiation objectives. Furthermore, contracting officers did not adequately maintain or provide documentation to support contract actions in the contract files. This discredits the contract record and questions the integrity of the acquisition process. The Office of Acquisition Operations' Center for Vehicle Acquisition should strengthen, and where necessary implement, acquisition processes to ensure awarded contracts are in the best interest of the Government.

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## **Appendix A – Purpose, Scope, Methodology, and Internal Controls**

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Report Number A110105/Q/A/P12001

### **Purpose**

The General Services Administration (GSA) Office of Inspector General included this audit in the Fiscal Year (FY) 2011 Audit Plan to evaluate vehicle acquisitions within the Office of Travel, Motor Vehicle, and Card Services (TMVCS).

### **Scope**

The audit's scope is limited to the award and administration of motor vehicle acquisitions within TMVCS.

### **Methodology**

To accomplish our objectives, we:

- Obtained a universe of 106 non-schedule vehicle contracts with a total dollar value of \$3,853,013,973.
- Sampled 15 contract files with a total dollar value of \$2,461,190,750 from the Office of Acquisition Operations' (AO) Center for Vehicle Acquisition. The contracts selected for sampling included:
  - Seven multiple negotiated indefinite-delivery indefinite-quantity contracts
  - Four definite-quantity contracts
  - Four Express Desk orders
  - Dollar values per contract ranging from under \$100,000 to over \$700 million
  - Acquisitions awarded in FYs 2008, 2010, and 2011.
- Reviewed relevant criteria from the Federal Acquisition Regulation, General Services Administration Acquisition Manual, and GSA and AO acquisition policies and guidelines.
- Reviewed the contract files and analyzed the award and administration of the contracts according to criteria.
- Met with AO personnel and obtained responses to questions and observations from our analysis of the contract files.

We conducted the audit between January 2011 and August 2011 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.

### **Internal Controls**

This audit was limited in scope to the contract files sampled. Thus, our evaluation of internal controls was limited to items discussed in the Results section of this report.

## Appendix B – Management Comments


Report Number A110105/Q/A/P12001



**GSA Federal Acquisition Service**

November 29, 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: GSA Draft Report, "Audit of GSA's Acquisition of Vehicles"  
Report #A110105

Thank you for the opportunity to provide comments to the above draft report. We appreciate your efforts to evaluate GSA's Acquisition of Vehicles and agree with the report findings. We will begin creating action plans to address the four recommendations identified in the report.

Please call me at (703) 605-5400 if you have any questions. Your staff may contact Wayne Williams at (703) 605-2177 or [wayne.williams@gsa.gov](mailto:wayne.williams@gsa.gov).

cc: Lindsay Mough (JA-A)

**U.S. General Services Administration**  
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## ***Appendix C – Report Distribution***

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*Report Number A110105/Q/A/P12001*

Commissioner, Federal Acquisition Service (Q)

Deputy Commissioner, Federal Acquisition Service (Q1)

Chief of Staff, Federal Acquisition Service (Q0A)

Assistant Commissioner, Office of Travel, Motor Vehicle, and Card Services (QM)

Director, Office of Acquisition Operations (QMA)

Director, Internal Control Division (BCB)

Branch Chief, GAO & IG Audit Response Branch (BCBB)

Director, Business Analytics and Consulting Division (QB0A)

Assistant IG for Auditing (JA)

Deputy Assistant IG for Investigations (JID)

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