



U.S. General Services Administration
Office of Inspector General

May 15, 2013

MEMORANDUM FOR THOMAS A. SHARPE, JR.
COMMISSIONER, FEDERAL ACQUISITION SERVICE

FROM: JAMES P. HAYES *James P. Hayes*
DEPUTY ASSISTANT INSPECTOR GENERAL
FOR ACQUISITION PROGRAMS AUDITS

SUBJECT: Fiscal Year 2011 Federal Acquisition Service Leadership
Conference – Orlando, Florida
Memorandum Number A120130-04

This memorandum provides the results of our survey work as it relates to the subject conference. This conference was one of several selected for review from the preliminary report of agency-wide conference activity compiled by the General Services Administration (GSA) Office of Administrative Services. Our objective was to validate the agency provided data and to determine whether additional audit or investigative inquiries are warranted. We are providing comments on how the conference acquisition and planning procedures did not comply with the Federal Acquisition Regulation (FAR) or the Federal Travel Regulations (FTR), resulting in a flawed source selection methodology.

Background

In response to congressional inquiries following disclosures in the Office of Inspector General's Management Deficiency Report concerning the 2010 Western Regions Conference, GSA provided interested congressional committees with a listing of GSA conferences. Since conferences have not historically been tracked as discrete financial events, supporting data is not accessible from GSA's financial systems. As an alternative, the GSA Office of Administrative Services initiated an agency-wide data call in April 2012. Subsequent revisions have improved the accuracy and completeness of this data. The compiled records include conference name, purpose, GSA business line, location, number of attendees, and cost data.

Our survey effort attempted to validate a subset of the agency compiled conference data. The subset is comprised of conferences that:

- Occurred after September 30, 2010;
- Had attendance of at least 25 people; and
- Incurred total costs of at least \$10,000.

The 2011 Federal Acquisition Service (FAS) Leadership Conference in Orlando, Florida, is a member of that subset. During our review of the Orlando conference, we identified a similar, but smaller, conference held in Atlanta, Georgia, several months before the Orlando conference. Contract files from the Atlanta conference were used as the basis for developing the acquisition strategy and requirements for the Orlando conference. Our inquiry into the Atlanta conference disclosed that the procurement process was flawed and led to a directed procurement to Roberts Business Associates (Roberts).

The procurement for this training was made using a GSA Mission Oriented Business Integrated Services (MOBIS) schedule task order under special item number (SIN) 874-4, Training Services. GSA sent a market survey request to three MOBIS schedule vendors to determine an average cost estimate for the training. This average cost was used to establish the Independent Government Estimate. Roberts was one of three vendors to submit a market survey cost estimate.

GSA sent a Request for Quotation (RFQ) and Performance Work Statement (Work Statement) to MOBIS schedule contract holders with four vendors submitting proposals. Roberts was one of the vendors who submitted a proposal and was awarded the conference contract.

Roberts, under its MOBIS contract, provides off-the-shelf or customized off-the-shelf training packages. The contract identifies course titles, course prices, minimum (4-10) and maximum (20) limit on participants, and an additional fee per participant over the minimum up to a maximum of 20 participants. A total of 155 FAS participants attended the conference.

Finding 1 – The Work Statement was not independently developed.

Due to time restrictions placed on the procurement team to award this task order,¹ the team contacted the FAS office in Atlanta to request a copy of its contract file documentation for the Atlanta FAS Leadership Conference held several months earlier. The team then proceeded to “cut and paste” from the Atlanta RFQ and Work Statement, which we determined to be flawed,² to develop the RFQ and Work Statement for the Orlando conference.

Roberts employed The Disney Institute as a subcontractor for the purpose of providing the training as required in the Work Statement. Roberts’ proposal included the statement, “The lists of course objectives and training modules from the Work Statement are very similar to those already used for courses taught by Roberts and The Disney Institute.” The Disney Institute’s on-line course offerings, in some cases, either matched or closely matched the requirements in the Work Statement.

This creates the appearance that the Orlando acquisition conference team used The Disney Institute on-line course offerings as a model in developing the Work Statement.

¹See Finding 3.

²See Audit Memorandum A120130-05, FAS Leadership Conference, Atlanta, Georgia.

The GSA schedules program is designed to promote open and fair competition with fair and reasonable pricing. The RFQ and Work Statement should be structured to allow for open and fair competition between all schedule contract vendors providing training services under SIN 874-4.

Finding 2 – Roberts’ proposal and contract award was not consistent with its MOBIS schedule contract or the RFQ.

Roberts’ MOBIS schedule contract did not provide for training services of the nature requested under SIN 874-4; however, The Disney Institute’s on-line training offerings did. As discussed above, the RFQ required training and pricing based on SIN 874-4, Training Services. However, it appears The Disney Institute developed the proposal under its commercial pricing model instead of Roberts’ MOBIS schedule contract. MOBIS schedule contract rules governing prime contractor/subcontractor arrangements require the use of the prime contractor’s MOBIS schedule contract pricing, not the subcontractor pricing. If the contracting officer had compared Roberts’ proposal to its MOBIS schedule contract under SIN 874-4 and the RFQ, the contracting officer should have recognized inconsistencies with Roberts’ proposal. If this comparison had occurred, Roberts’ proposal would have been subject to rejection. Allowing The Disney Institute to develop the cost proposal is contrary to the purpose of the MOBIS schedule program to provide for a price already determined to be fair and reasonable as defined in FAR 8.404(d).

Finding 3 – The procurement team was tasked with awarding the conference contract within a restrictive time period.

The procurement team was given a very restrictive time period (i.e., less than 60 days) to develop the acquisition plan, issue the RFQ, evaluate the bids and award a training contract for 155 attendees. Planning for this conference began in January 2011 after FAS Management established the conference dates for April 5-8, 2011. The Acquisition Plan was approved on February 8, 2011, with the RFQ issued on the same date. The minimum of 10 business days was allowed for proposal submission with proposal evaluations to be completed 7 days later. Negotiation, contract preparation, review, clearance, and contract award was planned to be completed within a 5-day period. The contract award was made on March 4, 2011, to Roberts/The Disney Institute, thus giving them one month to develop the training, procure hotel rooms, and for conference setup. FAR 7.104(b), under Acquisition Planning General Procedures states, “Requirements and logistics personnel should avoid issuing requirements on an urgent basis or with unrealistic delivery or performance schedules, since it generally restricts competition and increases prices.”

As discussed in **Finding 1**, due to time restrictions placed on the acquisition team to award this contract, they resorted to “cutting and pasting” from the Atlanta RFQ and Work Statement which resulted in a flawed procurement.

Finding 4 – Costs were not considered in conference award.

During its evaluation of proposals, the procurement team rated three of the four vendor proposals as technically poor and eliminated them from competition at that point. Roberts/The Disney Institute was awarded the contract with a technical rating of excellent. This indicates that the competition may have been restricted since the requirements in the Work Statement could not be met by other potential vendors. Since Roberts was the only technically qualified vendor, the cost of the training and travel was eliminated as a vendor selection factor. In fact, Roberts' proposed costs were significantly higher than the next highest proposal. Roberts proposed a training cost of \$222,116 with the next highest vendor proposing a cost of \$79,784.

We also determined that 58 percent of the conference attendees were from the Washington, D.C. area and the travel cost to Orlando, Florida, for this conference was approximately \$164,000. FTR Paragraph 301-74.2 requires that all direct and indirect costs be considered when planning a conference. This would not only include conference training costs, but also travel costs.

Conclusion

The available evidence appears to indicate that FAS Central Office staff preselected Roberts and The Disney Institute, directing a procurement using GSA MOBIS schedule contracts to give the appearance of satisfying FAR competition and price reasonableness requirements. Since Roberts' MOBIS schedule contract pricing was not used as the basis for its proposed pricing, its proposal should have been subject to rejection upon initial review. It was not, giving additional evidence of a directed procurement.

These observations were made in the course of our survey efforts. They do not derive from, nor have we conducted, the tests and procedures required under an audit. Accordingly, we are making no formal recommendations.

This memo will be made available to the independent public accountant and may trigger additional testing as part of its annual audit of GSA's financial statements. If we can be of further assistance, please contact me at 202-273-7321.

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