



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

IMPLEMENTATION REVIEW OF ACTION PLAN

Audit of FAS's Greater
Southwest Acquisition
Center – Schedule 84
Pricing and Negotiation
Report Number
A120124/Q/A/P14001
October 31, 2013


*Assignment Number A150043
March 20, 2015*



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

DATE: March 20, 2015

TO: Thomas A. Sharpe, Jr.
Commissioner, Federal Acquisition Service (Q)

FROM: 
Michelle L. Westrup
Audit Manager, Program Audit Office (JA-R)

SUBJECT: Implementation Review of Action Plan
Audit of FAS's Greater Southwest Acquisition Center –
Schedule 84 Pricing and Negotiation
Report Number A120124/Q/A/P14001
October 31, 2013
Assignment Number A150043

We have completed an implementation review of the management actions taken in response to the recommendations contained in the subject audit report (see **Appendix A**). The objective of our review was to determine whether FAS has taken the corrective actions as outlined in the Action Plan for the *Audit of FAS's Greater Southwest Acquisition Center – Schedule 84 Pricing and Negotiation*. To accomplish our objective we:

- Reviewed the original GSA Office of Inspector General's report and recommendations;
- Reviewed the corrective action plan steps performed and the supporting documentation submitted by FAS; and
- Performed limited testing on the implementation of the audit recommendations in recent contract actions.

Our implementation review found that FAS addressed the audit recommendations in the Action Plan, dated December 30, 2013.

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

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On behalf of the audit team, I would like to thank you and your staff for your assistance during this review.

Background

On October 31, 2013, we issued an audit report, *Audit of FAS's Greater Southwest Acquisition Center – Schedule 84 Pricing and Negotiation*, to the Commissioner of FAS. The objective of the audit was to determine if the price evaluation and negotiation of contracts and options awarded under the Greater Southwest Acquisition Center's Schedule 84 comply with federal regulations and policies.

Our audit found:

- Schedule 84 negotiation procedures did not consistently adhere to federal regulations and FAS policy, reducing assurance of price reasonableness.
- Contracting officers achieved minimal cost savings despite contract audit recommendations.
- Price analyses lacked detail and substance causing unsupported price reasonableness determinations.
- Key information not maintained in the contract file subjects the contract to unnecessary risks.
- Temporary extensions executed with invalid justifications may lead to contract lapses and possibly entitle contractors to equitable adjustment.
- Excluded Parties List System checks were not consistently performed in accordance with federal regulations and policies, risking option award to excluded contractors.

To address the issues identified in the report, we recommended that the Commissioner of FAS:

1. Improve the strength and consistency of negotiation procedures by:
 - a. Implementing a risk-based approach for negotiating options.
 - b. Modifying existing internal contract reviews to include requirements for documenting option negotiations.
 - c. Using contract audit results as a key negotiation tool to achieve maximum cost savings and obtaining an understanding of circumstances when/why those results could not be achieved.
2. Issue guidance and implement changes to internal quality review procedures to ensure that price analyses are contract-specific, provide detailed reasoning, and reference supporting documentation in the contract file.
3. Revise existing temporary extension review procedures to ensure compliance with FAS Instructional Letter 2011-11 and examine the contracts with potentially invalid temporary extensions identified.

4. Issue an FAS Operational Notice to emphasize federal regulations governing the timeliness and documentation of excluded parties checks.

The Commissioner of FAS agreed with the report recommendations.

Results

Our implementation review found that FAS has taken appropriate corrective actions to address the recommendations. We determined that no further action is necessary to address our recommendations.

Appendix A – Action Plan for Report Number A120124/Q/A/P14001

Corrective Action Plan
 Audit Number – A120124
 Greater Southwest Acquisition Center
 Schedule 84 Pricing and Negotiation
 December 30, 2013

Recommendation 1. Improve the consistency of and strengthen negotiation procedures by:

a. Implementing a risk-based threshold for negotiating options (Audit Finding 1)

Discussion:

Concurrent with Audit A120124, Acquisition Management (AM) issued new guidance in the form of Instructional Letter (IL) 2012-06 - Exercising the Option to Extend the Term of a Federal Supply Schedule (FSS) Contract. AM provided training on the IL and GSAC has implemented this new guidance. This IL revised the guidance for exercising options and created OPEN (Options Processes Ensuring iNtegrity) which provides a detailed four stage process designed to drive consistency as options are exercised. GSAC will take the following actions to ensure that risk is considered, among other relevant factors, when making the decision to develop negotiation objectives on Options.

Steps to be Taken	Documentation (if applicable)	Completion Date
1. Management Review of internal option review procedures and checklists to ensure they are current to IL 2011-15, Supplement 1.	Revised Internal Contract Review Process Revised Checklists for Modification Reviews (horizontal pricing) and ensured Fair and Reasonable Statement is in Option Review Checklist	12/12/13
2. Center Guidance will establish that all options selected for preaward audit will require a PNCP	Direction to select all Audit Files for PNCP incorporated in current policy	1/24/13
3. Center Director and Branch Chiefs will evaluate Dollar value as one significant risk factor in selecting files for PNCPs to comply with IL 2011-15, Supplement 1	Direction to include most significant actions to ensure effective negotiations and all actions in excess of 35 million incorporated in current policy.	1/24/13

4. Establish guidelines, utilizing \$ value as one factor among others, in determining which options will have negotiation objectives established	Direction to include most significant actions to ensure effective negotiations and all actions in excess of 35 million incorporated in current policy.	1/24/13
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b. Modifying existing internal contract reviews to include requirements for documenting option negotiations (Audit Finding 1):

Steps to be Taken	Documentation (if applicable)	Completion Date
5. Management review of all internal option review checklists to ensure they comply with FAR 15.406-3(a), IL 2011-02 and all other relevant policy.	Revised Checklists for Modification Reviews (horizontal pricing) and ensured Fair and Reasonable Statement is in Option Review Checklist	12/12/13
6. Update Internal Contract Review Procedures to include a process for updating checklists when foundational guidance is updated.	Revised GSAC Internal Contract Quality Review Procedures to include tracking log for template and checklist changes when updated for foundational guidance. (ongoing process – See paragraph 3 of introduction in Part 1 document.	11/1/13
7. Supervisors will ensure that they utilize the same checklists for review of Contract Specialist work.	Training for Supervisors: Mandatory Template Reviews Training for all 1102s: Contract Review Lessons Learned with Mandatory Template Updates. Revised Contract Review checklists provided to all 1102's via email 12/17/13 following training.	Supervisors – 12/4/13 All 1102s – 12/11/13 Checklist provided via email to All 1102s – 12/17/13
8. Refresher training on Templates	Ongoing training as required when changes occur	Most recent dates: 2/12/13; 2/20/13; 12/4/13; 12/11/13

c. Using contract audit results as a key negotiation tool to achieve the maximum cost savings and obtain an understanding of circumstances when/why those results could not be achieved (Audit Finding 2):.

Steps to be Taken	Documentation (if applicable)	Completion Date
9. Update Center Training and Guidance to comply with IL 2013-04.	Center Training Updated to include AO Training concurrent with R7 presentation.	10-2-13
10. Conduct Audit Process Training for all 1102s	Conducted by AO Cost/Price Analyst	10-2-13
11. Develop more robust review of CO's response to DRs before submission to JA	Three level process to review and approve DR prior to issuance added to training, slide 27 and emphasized in talking notes.	10-2-13
12. Utilize AO Cost/Price Analyst to resolve issues with JA to ensure maximum benefit from audit reports	Emphasized during mandatory training for all R7 associates along with contact information.	10-2-13

Recommendation 2. Issue guidance and implement changes to internal quality review procedures to ensure that price analyses are contract-specific, provide detailed reasoning, and reference supporting documentation in the contract file (Audit Finding 3):

Steps to be Taken	Documentation (if applicable)	Completion Date
13. Update Internal Contract Review Procedures and Checklists to ensure compliance with FAR 4.801, FAR 15.403-3(c)(1), and PIB 05-4, along with any other relevant guidance.	Training for Supervisors: Mandatory Template Reviews Training for all 1102s: Contract Review Lessons Learned with Mandatory Template Updates. Revised Contract Review checklists provided to all 1102's via email 12/17/13 following training.	Supervisors – 12/4/13 All 1102s – 12/11/13 Checklist provided via email to All 1102s – 12/17/13
14. Review Center Training Modules to ensure that all required elements of conducting and	PNO Training Module, dated 10/15/12; PNO Templates, updated 12/12/13; Contract, Option,	Most recent dates: 2/12/13; 2/20/13; 12/4/13; 12/11/13

documenting Price Analysis and Market Analysis are in compliance with guidance and regulations	and Mod Review Checklists updated 12/12/13	
15. Conduct refresher training for all 1102 on the purpose and use of Mandatory Templates and reinforce the contract-specific nature of data required.	Ongoing; All Mandatory Templates are updated and training is offered as necessary	Most recent dates: 2/12/13; 2/20/13; 12/4/13; 12/11/13
16. Refocus Supervisory Contracting Officers and Lead contracting Officer to ensure that robust documentation regarding price analysis and market analysis, as well as overall compliance with mandatory template requirements is included in all contract files.	Training for Supervisors: Mandatory Template Reviews Training for all 1102s: Contract Review Lessons Learned with Mandatory Template Updates. Revised Contract Review checklists provided to all 1102's via email 12/17/13 following training.	Supervisors – 12/4/13 All 1102s – 12/11/13 Checklist provided via email to All 1102s – 12/17/13

Recommendation 3. Revise existing temporary extension review procedures to ensure compliance with FAS IL 2011-11 and examine the contracts with potential invalid temporary extensions identified in this audit (Audit Finding 5):

Steps to be Taken	Documentation (if applicable)	Completion Date
17. Conduct refresher training for all 1102s to ensure understanding and compliance of IL 2011-11.	Revised Contract Review checklists provided to all 1102's via email 12/17/13	Supervisors – 12/4/13 All 1102s – 12/11/13 Checklists provided via email to All 1102s – 12/17/13
18. Update Internal Contract Review Checklists to ensure compliance with IL 2011-11.	Revised Contract Review checklists provided to all 1102's via email 12/17/13	Supervisors – 12/4/13 All 1102s – 12/11/13 Checklists provided via email to All 1102s – 12/17/13
19. Provide refresher training to Supervisory COs and Lead COs to ensure understanding of IL 2011-11.	Revised Contract Review checklists provided to all 1102's via email 12/17/13	Supervisors – 12/4/13 All 1102s – 12/11/13 Checklists provided via email to All 1102s – 12/17/13
20. Review all Temporary	Document results of review	Completed 7-31-13

<p>Extensions noted within Audit Report A120124 with potentially invalid temporary extension authority to assess any potential risk.</p>		<p>Review found that all temporary extensions noted within the Audit Report were subsequently modified to exercise an available option IAW Clause I-FSS-. 163; thus removing any potential risk to the Government due to an invalid temporary extension.</p>
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Recommendation 4. Issue a FAS Operational Notice to emphasize federal regulations governing the timeliness and documentation of excluded parties checks (Audit Finding 6):

Steps to be Taken	Documentation (if applicable)	Completion Date
<p>21. Update Internal Contract Review Checklists to ensure compliance with FAR 4.801 – specifically involving EPLS checks (now part of SAM), FAR 9.405(d)(1) and (4), FAR 17.207, AA 2010-01, IL 2012-06 and all other relevant guidance..</p>	<p>Revised Contract Review checklists provided to all 1102's via email 12/17/13</p>	<p>12/12/13</p>
<p>22. Conduct refresher training for all 1102s to remind them of the compliance requirements regarding verification of a vendor's debarred or suspended status at award and/or option.</p>	<p>Training for Supervisors: Mandatory Template Reviews Training for all 1102s: Contract Review Lessons Learned with Mandatory Template Updates. Revised Contract Review checklists provided to all 1102's via email 12/17/13 following training.</p>	<p>Supervisors – 12/4/13 All 1102s – 12/11/13 Checklist provided via email to All 1102s – 12/17/13</p>
<p>23. QSA will request QV to evaluate the recommendation to issue appropriate guidance</p>	<p>QSA Memo to QV</p>	<p>February 1, 2014</p>
<p>24. Conduct refresher</p>	<p>Existing training dated</p>	<p>Debarment Processes</p>

<p>training for all 1102s on the proper handling of automated referrals received from SAM regarding any current vendor who has become debarred or suspended per the process already in place.</p>	<p>March 2010 in process of updating for future sessions.</p>	<p>Training will be presented to all 1102s in January 2014</p>
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Discussion:

It should be noted, however, that an effective and reliable control is already in place via FSS Online and SAM, in which a daily (automatic) check of all newly debarred, suspended vendors and vendors proposed for debarment or suspension is conducted against all current MAS contract holders. This 100% verification and notification system significantly reduces the potential of exercising an option on a debarred or suspended vendor; therefore minimizing any potential risk to the Government.

Appendix B – Report Distribution

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Regional Administrator, Greater Southwest Region (7A)

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