



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

IMPLEMENTATION REVIEW OF CORRECTIVE ACTION PLAN

FAS's Use of Pricing Tools Results in Insufficient Price Determinations Report Number A180068/Q/3/P20002 December 23, 2019

Assignment Number A230051
September 21, 2023

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Introduction

We have completed an implementation review of the management actions taken in response to the recommendations contained in our December 2019 audit report, *FAS's Use of Pricing Tools Results in Insufficient Price Determinations*, Report Number A180068/Q/3/P20002.

Objective

The objective of our review was to determine whether the Federal Acquisition Service (FAS) has taken the actions as outlined in the corrective action plan for *FAS's Use of Pricing Tools Results in Insufficient Price Determinations* (see **Appendix A**). To accomplish our objective, we:

- Examined documentation submitted by FAS to support the completion of the corrective action plan steps; and
- Sampled five Multiple Award Schedule (MAS) contracts with awarded effective dates between October 1, 2022, through March 31, 2023, to test the effectiveness of FAS's corrective actions.

Background

GSA's MAS Program provides customer agencies with access to more than 25 million commercial products and services. Contracts are awarded with pre-negotiated prices, delivery terms, warranties, and other terms and conditions that are intended to streamline the acquisition process. Before awarding MAS contracts, FAS contracting officers must make a determination that the prices are fair and reasonable. Specifically, Federal Acquisition Regulation (FAR) 15.403-3(c)(1), *Requiring data other than certified cost or pricing data*, requires that the contracting officers perform a price analysis to determine fair and reasonable pricing whenever acquiring a commercial item or service.

In 2014, FAS's Office of Professional Services and Human Capital Categories created a pricing tool known as the Contract Awarded Labor Category tool (CALC). CALC enabled contracting officers to compare the offered pricing to previously awarded government contract pricing. Its interface allowed users to query the tool for a labor category title, with additional optional filters (e.g., contract vehicle, education level, and experience) for more precise price analysis. CALC allowed users to export and download the pricing tool output for documentation purposes and to perform additional analysis.

On December 23, 2019, we issued an audit report, *FAS's Use of Pricing Tools Results in Insufficient Price Determinations*, to FAS. The objectives of the audit were to determine if: (1) FAS has sufficient and appropriate policy, guidance, and internal controls related to the use of services pricing tools; (2) FAS contracting specialists/officers are using and documenting the use

of services pricing tools in accordance with existing FAS policy and federal regulations; and (3) the services pricing tools provide accurate data for price analysis.

Our audit found that:

- FAS contracting officers used flawed methodologies and practices when performing price analysis with the CALC and Contract Operations Division Contractors Database (CODCD) labor category pricing tools.
- FAS contracting officers relied on the CALC pricing tool although its data is incomplete, inaccurate, and duplicative.
- FAS contracting officers did not adequately document their use of the pricing tools.

To address the findings identified in our report, we recommended that the FAS Commissioner:

1. Cease use of the CALC and CODCD pricing tools until comprehensive policy, guidance, and controls are established and implemented to ensure resultant price analyses are valid. Specifically, FAS must ensure that:
 - a. Pricing tools are used only as part of a larger negotiation strategy that seeks the lowest overall cost alternative to meet the needs of the federal government, as required by the Competition in Contracting Act of 1984 (41 USC 152);
 - b. More reliable pricing information is used to the fullest extent possible;
 - c. Pricing tool output is analyzed and verified to meet “same or similar” requirements of FAR 15.4;
 - d. Emphasis is placed on the evaluation of labor categories with the most sales;
 - e. Labor categories used as benchmarks come from contracts with recent sales history; and
 - f. Contracting officers do not use standard deviation as a basis to determine whether proposed rates are fair and reasonable.
2. Establish controls to ensure that data contained and uploaded into the pricing tools is complete, accurate, and consistent, and identifies labor rates associated with contracts with no sales activity. In addition, FAS should seek to automate the process to reduce human error.

3. Develop and implement controls to ensure compliance with FAS Policy and Procedure 2018-03, *Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program*, in regard to documenting use of the pricing tools. Specifically, controls should ensure FAS contracting officers document:
 - a. The criteria used in the query of the pricing tools;
 - b. All detailed data records obtained in the pricing tool output;
 - c. A verification that labor category comparisons made using the pricing tools are “same or similar” in accordance with FAR 15.4; and
 - d. Any filtering or removal of data records the contracting officer determined were outliers or not “same or similar.”

The former FAS Acting Commissioner agreed with our findings and two of our three recommendations. She disagreed with our recommendation to cease use of the CALC and CODCD pricing tools.

In April 2022, FAS replaced CALC with CALC+. According to FAS, the tools are similar, but CALC+ has more functionality and data. Additionally, CALC+ has been moved to FAS’s Office of Enterprise Strategy Management under the Digital Innovation Division. Because of the change to CALC+, our implementation review included the review of documentation related to the management and use of CALC+ to determine if FAS’s corrective actions were applied to the new tool.

Results

Our implementation review determined that FAS did not fully implement the corrective actions for two of the three report recommendations. Specifically, FAS did not:

1. Issue user guides with consideration of search results pertaining to sales levels.
2. Apply data quality corrective actions to CALC+, by not:
 - a. Demonstrating the automated removal of expired contracts in CALC+.
 - b. Including cancelled contract management, data integrity, and data management roles in the CALC+ Data Management Plan.

In addition, the corrective actions were not effective in addressing the deficiencies cited in our report because FAS contracting officers are not complying with applicable guidance. Consequently, there is a lack of assurance that FAS contracting officers are making valid comparisons using the CALC+ tool and awarding pricing that is reasonable.

Finding 1 – User Guides Have Not Addressed Considerations for Search Results Pertaining to Sales Levels.

Our original recommendation outlined items FAS should establish and implement in comprehensive policy, guidance, and controls for the use of pricing tools to ensure resultant price analyses are valid. One specific recommendation was the use of labor categories with recent sales history. The absence of sales may be indicative of high pricing and could unfavorably skew search results. In response to this recommendation, FAS agreed to develop a user guide to instruct its contracting officers on the proper use of CALC, its filters, and its data for the purpose of supporting price reasonableness determinations.¹ FAS's corrective action plan noted that the user guide will address considerations for the search results that are returned as they pertain to sales levels.

Our review of the CALC and CALC+ user guides found that there was no discussion of sales levels related to search results.² In response to our inquiry, a FAS official acknowledged that FAS was unable to address this action item because it does not have the system capabilities to do so. The FAS official said there was a statement in an earlier version of the CALC user guide that CALC search results do not indicate actual sales; however, they told us that it was removed during the review process.

¹ Recommendation 1, Action Step 3.

² The CALC and CALC+ user guides we reviewed were dated September 30, 2020, and May 11, 2023, respectively. As an observation, the CALC+ tool launched in April 2022; however, the complementary user guide was issued more than 1 year later.

Without consideration of sales levels when conducting a price analysis, FAS contracting officers may make invalid comparisons to above market rates. As a result, the awarded price may not be reasonable, and the government may overpay for services.

Finding 2 – Data Quality Corrective Actions Were Not Applied to CALC+.

We recommended that FAS ensure CALC data was complete, accurate, and consistent, and identified labor rates associated with contracts with no sales activity. If CALC data is not complete, accurate, consistent, and representative of labor sold, pricing tool comparisons could be potentially skewed and result in government customers overpaying for services. Additionally, we recommended that automation should be employed to reduce human error. FAS agreed to automate the removal of expired contracts in CALC and develop a Data Management Plan with elements such as cancelled contract management, data integrity, and data management roles.³

We reviewed the CALC Data Management Plan and found that the corrective actions were implemented. However, we also needed to determine if the corrective actions were implemented for CALC+, the current pricing tool used by contracting officers. We requested the CALC+ Data Management Plan (CALC+ plan) from FAS. Upon review of the CALC+ plan, we found that the corrective actions were not applied to the new tool.⁴

The CALC+ plan states that a separate system, FAS Source Data Automation, collects CALC+ source data and that system performs data quality and validation. The CALC+ plan also states that the MAS Program Management Office performs data quality and validation practices for the source data prior to entry into CALC+. In short, the CALC+ plan absolves the administrators of the CALC+ tool from any data quality responsibility.

We requested additional information because we could not determine from the CALC+ plan alone that the corrective actions were implemented. We were provided a user guide for the FAS Source Data Automation system that collects CALC+'s source data. This documentation demonstrated that the system checks for required data fields in specified formats and duplicative contract numbers.⁵ However, the user guide does not have elements such as cancelled contract management and data management roles. Notably, a page in the user guide titled *Upload Validation and Compliance Process* is annotated as "In process." In addition, we specifically requested evidence of the automated removal of expired contracts in CALC+, but nothing was provided by FAS personnel.

³ Recommendation 2, Action Steps 1 and 2.

⁴ In addition, the CALC+ Plan was issued more than 1 year after the implementation of the new tool.

⁵ PPT [Prices Proposed Template] Upload and Approval User Guide: FAS Source Data Automation, Last Updated: May 2023.

Without rigorous procedures and controls related to CALC+ data quality, FAS contracting officers may be making pricing decisions on unreliable data. As a result, the government may overpay for services.

Finding 3 – FAS Contracting Officers Are Not Complying with Pricing Tool Guidance Related to Documentation.

To test the effectiveness of FAS's implemented corrective actions, we performed limited testing of five MAS contracts that used CALC+ with awarded effective dates between October 1, 2022, through March 31, 2023. Our sample included three contracts awarded by FAS's Office of Information Technology Category and two contracts awarded by the Office of Professional Services and Human Capital Categories.

We found that none of the five contracts fully complied with applicable guidance. Specifically:

- 0 of 5 contracts complied with FAS's Policy and Procedure PAP 2021-05, *Evaluation of FSS Program Pricing*, dated September 21, 2021.⁶
- 0 of 3 Office of Information Technology Category contracts complied with its guidance memorandum, *Use of Pricing Tools to Assist in Pricing Determination*, dated August 4, 2020.
- 0 of 2 Office of Professional Services and Human Capital Categories contracts complied with its Operational Notice MAS 01-03, *Quality Analysis of MAS Pricing*, dated November 9, 2020.

In many cases, the CALC+ data was summarized in the contract file; however, the search methodology was not adequately described. In two contracts, the contract file documentation identifies the proposed pricing as high or exceeding the average, but there is no discussion as to why the price was still considered to be fair and reasonable. Without comprehensive documentation, FAS cannot ensure that MAS contracts are awarded with reasonable pricing.

⁶ This policy superseded FAS Policy and Procedure 2018-03, *Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program*, which was in effect during the original audit.

Conclusion

Our implementation review determined that FAS did not fully implement the corrective actions for two of the three report recommendations. Specifically, FAS did not:

1. Issue user guides with consideration of search results pertaining to sales levels.
2. Apply data quality corrective actions to CALC+, by not:
 - a. Demonstrating the automated removal of expired contracts in CALC+.
 - b. Including cancelled contract management, data integrity, and data management roles in the CALC+ Data Management Plan.

In addition, the corrective actions were not effective in addressing the deficiencies cited in our report because FAS contracting officers are not complying with applicable guidance. Consequently, there is a lack of assurance that FAS contracting officers are making valid comparisons using the CALC+ tool and awarding pricing that is reasonable.

As a result, a revised corrective action plan addressing the corrective actions associated with these open recommendations must be submitted by October 21, 2023, to this office and the Office of Audit Management and Accountability (BA).

Audit Team

This review was managed out of the Mid-Atlantic Region Audit Office and conducted by the individuals listed below:

Thomas Tripple
Susan Klein
Michelle Luna

Regional Inspector General for Auditing
Audit Manager
Auditor-In-Charge

Appendix A – Corrective Action Plan for Report Number A180068/Q/3/P20002

A180068/Q/3/P20002 Corrective Action Plan

Designated Responding Official: Julie Dunne
Contact Person: Tiffany Hixson
Telephone Number: 253-931-7115
Date: February 20, 2020 (Updated September 30, 2020)

Audit report number A180068/Q/3/P20002– FAS's Use of Pricing Tools Results in Insufficient Price Determinations	Recommendation Number 001	Proposed Recommendation Completion Date September 30, 2020
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Recommendation 001: Cease use of the CALC and CODCD pricing tools until comprehensive policy, guidance, and controls are established and implemented to ensure resultant price analyses are valid. Specifically, FAS must ensure that:

- a. Pricing tools are used only as part of a larger negotiation strategy that seeks the lowest overall cost alternative to meet the needs of the federal government, as required by the Competition in Contracting Act of 1984 (41 USC 152);
- b. More reliable pricing information is used to the fullest extent possible;
- c. Pricing tool output is analyzed and verified to meet "same or similar" requirements of FAR 15.4;
- d. Emphasis is placed on the evaluation of labor categories with the most sales;
- e. Labor categories used as benchmarks come from contracts with recent sales history; and
- f. Contracting officers do not use standard deviation as a basis to determine whether proposed rates are fair and reasonable.

A180068/Q3/P20002 Corrective Action Plan

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<u>Action to be Taken Step by Step</u>	<u>Supporting Documentation to be sent to the OIG Audit Management Division</u>	<u>Documentation Will be Sent Last Day</u>
<u>Recommendation 001(a,b,c,f)</u> <u>Action Step 001</u> <ul style="list-style-type: none"> - Provide disclaimer on CALC site to indicate users should complete additional analysis for price reasonable determinations 	https://calc.gsa.gov/ See screenshot in Appendix below for location of disclaimer and language (Attachment 1)	Completed - November 2019
<u>Recommendation 001(a,b,c,f)</u> <u>Action Step 002</u> Issue interim guidance <ul style="list-style-type: none"> - FAS PSHC will develop and issue interim guidance on improving its pricing on MAS contracts, better documenting its price reasonable determinations, and (when used) how to appropriately use CALC and its pricing database. - Interim guidance will be updated based on real-time feedback from the acquisition workforce, FAS reviewing officials, as well as the OIG on the effectiveness of the guidance on improving price analysis and 	FAS PSHC OM 2020-0123 Quality Analysis of MAS Pricing (Attachment 4) FAS TTL TTL Operational Notice (ON) 20-001. Use of Pricing Tools to Assist in Price Determinations (Attachment 5)	FAS PSHC guidance Completed - January 23, 2020 (updated May 8, 2020) FAS TTL guidance Completed - March 5, 2020 FAS GSS guidance Completed - July 31, 2020 FAS ITC guidance Completed - August 4, 2020

- GSS: Office of General Supplies and Services Categories
- ITC: Office of Information Technology Category
- OIG: Office of Inspector General
- OM: Office Memorandum
- PSHC: Office of Professional Services and Human Capital Categories
- TTL: Office of Travel, Transportation, and Logistics Categories

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<p>documentation.</p> <ul style="list-style-type: none"> - Other MAS centers that award services contracts, and use CALC, will issue their workforce similar interim guidance. 	<p>FAS GSS GSS Operational Notice (ON) 20-002 Use of Pricing Tools to Assist in Price Determinations for Services (Attachment 6)</p> <p>FAS ITC MEMORANDUM FOR INFORMATION TECHNOLOGY (ITC) CONTRACTING ACTIVITIES Use of Pricing Tools to Assist in Pricing Determination (Attachment 7)</p>	
<p><u>Recommendation 001(a,b,c,d,e,f)</u> <u>Action Step 003</u></p> <ul style="list-style-type: none"> - Develop a user guide to instruct MAS contracting professionals on the proper use of CALC, its filters, and its data for the purpose of supporting determinations of price reasonableness. - The guide will address considerations for the data results that are returned as it pertains to sales levels. - High level milestones <ul style="list-style-type: none"> - Draft user guide (May 2020) - MAS PMO and Services Portfolios review (June 2020) 	<p>GSA's Contract-Awarded Labor Category Internal User Guide Handbook (Attachment 3)</p>	<p>Completed: September 30, 2020</p>

PMO: Program Management Office

A180068/Q/3/P20002 Corrective Action Plan

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Date: February 20, 2020 (Updated September 30, 2020)

<ul style="list-style-type: none">- OPC review (July 2020)- IG review (Aug 2020)- Incorporate feedback (Sept 2020)		
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OPC: FAS Office of Policy and Compliance
IG: Inspector General

A180068/Q/3/P20002 Corrective Action Plan

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 Date: February 20, 2020 (Updated September 30, 2020)

Audit report number- A180068 – FAS’s Use of Pricing Tools Results in Insufficient Price Determinations	Recommendation Number 002	Proposed Recommendation Completion Date September 30, 2020
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Recommendation 002: Establish controls to ensure that data contained and uploaded into the pricing tools is complete, accurate, and consistent, and identifies labor rates associated with contracts with no sales activity. In addition, FAS should seek to automate the process to reduce human error.

<u>Action to be Taken Step by Step</u>	<u>Supporting Documentation to be sent to the OIG Audit Management Division</u>	<u>Documentation Will be Sent Last Day</u>
<p><u>Recommendation 002</u> <u>Action Step 001</u></p> <ul style="list-style-type: none"> - Automate the removal of expired contracts in CALC 	Automated Data Quality Report (Attachment 2)	Data Quality Report Completed - March 31, 2020 Automated removal of expired contracts September 20, 2020 https://calc.osa.gov/data-quality-report/
<p><u>Recommendation 002</u> <u>Action Step 002</u></p> <ul style="list-style-type: none"> - Develop data management plan to be shared with all HCAs which will include elements such as cancelled contract 	CALC Data Management Plan (Attachment 2)	Completed: September 29, 2020

HCA: Head of Contracting Activity

A180068/Q/3/P20002 Corrective Action Plan

Designated Responding Official: Julie Dunne

Contact Person: Tiffany Hixson

Telephone Number: 253-931-7115

Date: February 20, 2020 (Updated September 30, 2020)

management, data integrity, and data management roles		
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A180068/Q/3/P20002 Corrective Action Plan

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 Date: February 20, 2020 (Updated September 30, 2020)

Audit report number- A180068 – FAS’s Use of Pricing Tools Results in Insufficient Price Determinations	Recommendation Number 003	Proposed Recommendation Completion Date October 16, 2020
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Recommendation 003: Develop and implement controls to ensure compliance with FAS Policy and Procedure 2018-03 - Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program – in regards to documenting use of the pricing tools. Specifically, controls should ensure FAS contracting officers document:

- a. The criteria used in the query of the pricing tools;
- b. All detailed data records obtained in the pricing tool output;
- c. A verification that labor category comparisons made using the pricing tools are “same or similar” in accordance with FAR 15.4; and
- d. Any filtering or removal of data records the contracting officer determined were outliers or not “same or similar.”

<u>Action to be Taken Step by Step</u>	<u>Supporting Documentation to be sent to the OIG Audit Management Division</u>	<u>Documentation Will be Sent Last Day</u>
<p><u>Recommendation 003</u> <u>Action Step 001</u></p> <ul style="list-style-type: none"> - PSHC will issue final guidance on use of pricing tools (in general) aligned to the CALC user guide, the guidance will emphasize quality price negotiations, and strengthening price negotiation documentation. The guidance will reference the audit’s feedback in section 	Operational Notice issued to PSHC’s contracting workforce	October 16, 2020

A180068/Q/3/P20002 Corrective Action Plan

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Date: February 20, 2020 (Updated September 30, 2020)

<i>"Proper documentation of price analysis decision."</i>		
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Appendix B – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

FAS Commissioner (Q)

Deputy Commissioner (Q1)

Deputy Commissioner (Q2)

Chief of Staff (Q0A)

Assistant Commissioner, Office of Policy and Compliance (QV)

Assistant Commissioner, Office of Enterprise Strategy Management (QP)

Acting Director, MAS Program Management Office (QP0F)

Director, Digital Innovation Division (QP1F)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Deputy Assistant Inspector General for Acquisition Program Audits (JA)

Deputy Assistant Inspector General for Real Property Audits (JA)

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