

GAO

Report to the Chairman, Committee on
Government Operations, House of
Representatives

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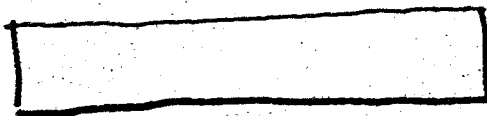


June 1992

MULTIPLE AWARD SCHEDULE PURCHASES

Changes Are Needed to Improve Agencies' Ordering Practices

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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-247051

June 2, 1992

The Honorable John Conyers, Jr.
Chairman, Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This report, prepared at your request, summarizes the results of our review of purchasing practices under the Multiple Award Schedule Program at selected procurement offices of six agencies, as well as related program management issues at these and other agencies, including the General Services Administration. The recommendations in the report are intended to ensure that government agencies' orders under Multiple Award Schedule contracts result in the lowest overall cost meeting the government's needs.

As you requested, we plan no further distribution of this report until 30 days after its issue date. At that time, we will send copies to other interested congressional committees; the Secretaries of Defense, the Treasury, Health and Human Services, Transportation, Commerce, Veterans Affairs, Agriculture, the Interior, and Energy; the Administrators of the General Services Administration, National Aeronautics and Space Administration, and Office of Federal Procurement Policy; and the Attorney General. Copies will also be made available to others on request.

Please contact me on (202) 275-8400 if you or your staff have any questions concerning this report. Major contributors to this report are listed in appendix II.

Sincerely yours,

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Paul F. Math
Director, Research, Development,
Acquisition, and Procurement Issues

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Executive Summary

Purpose

The Multiple Award Schedule (MAS) program is designed to enable federal agencies to procure a wide range of commonly used commercial goods and services, such as office supplies, personal computers, and sophisticated scientific equipment, in a simplified manner. According to General Services Administration (GSA) officials, agencies placed more than \$4 billion in orders through the MAS program in fiscal year 1990.

At the request of the Chairman of the House Committee on Government Operations, GAO reviewed MAS purchasing practices at six selected procurement offices—three military and three civilian—as well as related program management issues at these offices and several agencies. GAO sought to determine whether (1) for a random sample of MAS orders exceeding \$25,000, the procurement offices complied with statutory and regulatory requirements aimed at ensuring that the orders resulted in the lowest overall cost alternative meeting the government's needs; (2) for selected procurement cases, the offices missed opportunities to select lower-cost alternatives—in terms of products, suppliers, or procurement approaches—meeting the government's needs; and (3) MAS management practices of the offices, agencies, and GSA were effective and ensured that MAS orders were made at the lowest overall cost.

Background

GSA negotiates and awards contracts to multiple suppliers of similar items and provides the contract award information in schedules to federal agencies. The MAS contractors provide catalogs and price lists to the agencies, which in turn order directly from and pay the suppliers.

Procurement statutes provide for the use of MAS as a competitive procedure if (1) participation in the MAS program has been open to all responsible suppliers and (2) MAS contracts and orders result in the lowest overall cost alternative meeting the government's needs. This second condition, among other things, requires agencies to define their needs in terms that are not unnecessarily restrictive of competition. The statutes require the use of other than competitive procedures to be justified in writing. Regulatory requirements for placing orders under MAS contracts are set out in Federal Acquisition Regulation (FAR) subpart 8.4 for most products and services and in the Federal Information Resources Management Regulation (FIRMR) for federal information processing resources.

Results in Brief

Agencies' MAS purchasing practices did not ensure compliance with statutory requirements that MAS orders result in the lowest overall cost alternative meeting the government's needs. For the most part, procurement offices filled users' requests for a specific manufacturer's product without determining if other MAS products could satisfy the requirement at a lower cost.

GAO found a lower-cost product, supplier, or procurement approach in 19 of the 47 MAS procurements it reviewed in-depth. These lower-cost alternatives would have resulted in savings of \$269,000 to \$323,000, or 9 to 11 percent, of the \$3 million spent in these 19 cases. Further savings might have been identified if GAO's search for lower-cost alternatives had not been seriously constrained by the agencies' practice of limiting purchase requests to specific manufacturers' products.

Procurement offices, agencies and GSA all devoted little attention to management and oversight of MAS procurements. Procurement offices did not give particular attention to the relatively few higher value MAS orders that provide the greatest potential for cost savings, such as those exceeding the small purchase threshold (currently \$25,000). A broad consensus existed among GSA and agency procurement officials that automating MAS information would facilitate product and price comparisons and better ensure selecting the lowest-cost alternative.

Principal Findings

Agencies Limited Consideration of Products

GAO's review of randomly selected procurement files disclosed that the six procurement offices did not ensure that MAS orders over \$25,000 met the government's needs at the lowest overall cost. For example, GAO estimated that, of a universe of 375 MAS orders, requesters stated their needs in terms of a single manufacturer's product in 348 cases (93 percent). The purchase requests and other procurement file documentation for an estimated 80 percent of the 348 procurements did not describe the essential characteristics of the government's needs so that procurement personnel could consider other manufacturers' products. An estimated 60 percent of the 348 procurements did not include any justification or explanation of why no other product could meet the requester's needs.

FAR 8.4 does not require purchase descriptions specifying one manufacturer's product to state (1) which features of that product are

essential and (2) why no other products could meet the agency's minimum needs. For the procurement of federal information processing resources, FIRM explicitly requires a justification for not using competitive procedures when a purchase request is limited to one manufacturer's product—a requirement that the agencies did not generally enforce.

**Agencies Limited
Consideration of Suppliers**

Procurement offices also routinely allowed their personnel to place orders exceeding \$25,000 for requested manufacturers' products after considering no more than three MAS suppliers, and usually only one. GAO estimated that, of the 348 procurements for which one manufacturer's product was requested: (1) three or fewer suppliers were considered for 93 percent, (2) procurement personnel considered only one supplier for 62 percent, and (3) the requester suggested only one supplier and procurement personnel placed the order with that supplier for 78 percent.

FAR 8.4 and FIRM were revised in mid-1991. FAR now specifically requires what the statute implies: that all reasonably available MAS suppliers meeting the agencies' needs be considered. In contrast, FIRM requires that a "reasonable" (and previously required that a "sufficient") number of MAS suppliers be considered to ensure selection of the lowest overall cost alternative, but these terms have not been defined.

**Opportunities for Savings
Were Missed**

The agencies did not select the lowest overall cost alternative for 19 of 47 selected procurement cases GAO reviewed. In these cases, the procurement offices missed opportunities for savings by not (1) following furniture systems schedule provisions, (2) performing procurement planning and management oversight, (3) selecting another source or product that would have satisfied the requirement at a lower cost, or (4) consolidating requirements to get volume discounts and reduce procurement processing costs. In another 10 cases, GAO identified lower-cost alternatives but could not be certain that they satisfied the agencies' minimum requirements.

**Agencies Not Committed to
Obtaining the Lowest-Cost
Items or Instituting Sound
Program Management**

Procurement officials said that it is an unreasonable administrative burden to require buyers to consider all reasonably available suppliers and determine the lowest overall cost alternative before placing MAS orders. They said that because many schedules have numerous suppliers offering many similar items, comparing all products and prices is too difficult and time-consuming, particularly because MAS information is not automated. As a general practice, procurement management officials encouraged their

buyers to solicit price quotations from three suppliers. Although this practice is similar to the government's small purchase procedures, these procedures do not apply to MAS procurements.

Agencies did not devote special attention and resources to the higher value MAS orders, which provide greater cost-saving opportunities. According to GSA, MAS orders exceeding the small purchase threshold accounted for 3 percent of the actions, but about half the dollar value of all MAS orders. Devoting greater attention to these orders—by considering all reasonably available suppliers—and adopting a less stringent standard for lower dollar value MAS orders would provide greater assurance of maximizing savings. However, existing statutes do not distinguish between low and high dollar value MAS orders. Procurement officials acknowledged that for orders over the small purchase threshold, the MAS program would still offer a much quicker and less costly alternative than soliciting offers for commercial items on the open market, even if buyers considered all reasonably available suppliers. GSA officials have said that automation is a high priority but have not identified the resources or time frames needed to complete their automation project.

GAO found that agencies had not implemented other sound procurement management practices, such as planning and overseeing their MAS procurements, and GSA had not or monitored agencies' compliance with the statutory, regulatory, or contract requirements for MAS purchases.

Recommendations

GAO is making several recommendations intended to ensure that (1) agencies' MAS orders comply with statutory requirements and (2) GSA and the agencies improve MAS program management.

Matters for Congressional Consideration

The Congress may wish to consider revising procurement statutes to allow agencies to follow a less stringent standard for considering MAS suppliers before placing orders below a specified dollar threshold, such as the small purchase threshold. The existing statutory standard should be retained for the higher dollar value MAS orders, and some of GAO's recommendations call for better enforcement of that standard.

Agency Comments

As requested, GAO did not obtain agency comments on this report. However, GAO discussed the information in the report with GSA program officials and procurement officials from the other six agencies and has included their comments where appropriate.

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Abbreviations

DSS	Defense Supply Service-Washington
FAR	Federal Acquisition Regulation
FIP	federal information processing
FIRMR	Federal Information Resources Management Regulation
FSS	Federal Supply Service
GAO	General Accounting Office
GSA	General Services Administration
IRMS	Information Resources Management Service
IRS	Internal Revenue Service
LRC	Langley Research Center
MAS	Multiple Award Schedule
NIH	National Institutes of Health
NSC	Naval Supply Center
TCA	Army Training and Doctrine Command Contracting Activity

Introduction

Each year the federal government spends billions of dollars for commonly used, commercially available supplies and services, such as office supplies, furniture, computers, and copier maintenance. The General Services Administration's (GSA) Multiple Award Schedule (MAS) Program was established to provide federal agencies with a simplified process for acquiring such commonly used supplies. The program saves ordering offices time and resources because GSA has already negotiated and awarded contracts with vendors to supply these items.

These contracts are awarded to more than one supplier for similar products or services to provide agencies with choices among commercial items. GSA contracting officers negotiate with suppliers to obtain terms, conditions, and prices equal to or better than those extended to the suppliers' most favored commercial customers. During fiscal year 1990, GSA had more than 4,500 schedule contracts in force, almost half of which were awarded in prior years. These contracts made millions of commercial products and services available to federal agencies. Upon receiving MAS contract awards, the suppliers publish and distribute to federal procurement offices MAS contract price lists and catalogs with information concerning the products offered, ordering instructions, service, warranties, and other information. Using this information together with the GSA schedules, the agencies place orders directly with the MAS contractors.

GSA officials stated that federal agencies placed more than \$4 billion in orders under MAS contracts during fiscal year 1990.¹ Twelve federal departments and agencies accounted for 96 percent of the value of the GSA schedule orders reported.² According to GSA, 97 percent of all individual MAS transactions in fiscal year 1990 were valued at \$25,000 or less, but the 3 percent of MAS orders exceeding \$25,000 accounted for approximately 50 percent of the total dollar value of MAS orders placed.

¹The dollar value of fiscal year 1990 GSA schedule transactions, including orders under MAS and Single Award Schedule contracts, totaled about \$4.3 billion, according to the governmentwide Federal Procurement Data System. However, GSA officials and data system documentation indicated that the data system might have significantly understated the number and dollar value of MAS transactions. The Single Award Schedules cover GSA schedule contracts awarded to one supplier for a specific product at a stated price for delivery to a geographical area as defined in the schedule.

²The 12 agencies are: the Departments of Defense (57.5 percent), Veterans Affairs (6 percent), Agriculture (5.4 percent), Transportation (4.8 percent), Health and Human Services (4.8 percent), Justice (4.5 percent), the Treasury (4 percent), and the Interior (3.3 percent); the National Aeronautics and Space Administration (2.4 percent); the Department of Commerce (1.6 percent); the General Services Administration (1.2 percent); and the Department of Energy (0.8 percent).

Program Administration

The MAS program is administered by two organizations within GSA. The Federal Supply Service (FSS) negotiates and awards the contracts for most types of products and services covered by MAS, including, but not limited to, scientific and laboratory equipment, furniture, and most office equipment and supplies. In fiscal year 1990, FSS awarded 1,065 contracts to small businesses and 383 to large ones, making millions of different items available to federal agencies. FSS officials estimated that in fiscal year 1990 small and large businesses received orders under FSS contracts that totaled approximately \$524 million and \$2 billion, respectively.³

GSA's Information Resources Management Service (IRMS) negotiates and awards MAS contracts for automated data processing and telecommunications products and services, which are called federal information processing (FIP) resources.⁴ In fiscal year 1990, IRMS awarded 615 contracts to small businesses and 330 to large ones. According to IRMS officials, of the estimated \$2.1 billion in orders placed under IRMS schedule contracts during fiscal year 1990, small businesses received \$438 million and large ones received \$1.7 billion.

Federal officials regard the markets for FIP and non-FIP items as different. Because of rapid changes in technology and other factors, prices for FIP items are more likely to fluctuate than those for non-FIP items. As a result, the IRMS and FSS schedules operate under different requirements. No federal agencies are required to fulfill their needs through IRMS schedule contracts; therefore, agencies using such contracts may consider offerings from suppliers that do not have IRMS contracts, as well as from those that do. On the contrary, for each FSS contract, one or more federal agencies are required to use it to fulfill certain needs; and in such cases, those agencies are generally prohibited from soliciting offerings from contractors that do not have FSS contracts.

³The \$2.5 billion total includes the value of both MAS and Single Award Schedule transactions. A senior GSA official estimated that, for fiscal year 1990, MAS orders accounted for approximately \$2 billion of the FSS schedule orders.

⁴The Federal Information Resources Management Regulation, effective April 29, 1991, uses the term "FIP resources" to identify automated data processing and telecommunications resources that are subject to GSA's exclusive procurement authority. In fiscal year 1990, three of the schedules for automated data processing and telecommunications products and services were transferred to FSS. Included on these schedules are such items as (1) audio and video equipment; (2) communications and computer supplies, such as recording tape, cassettes and cartridges and computer diskettes, disk packs, and disk cartridges; and (3) telemetry and radar equipment.

Statutory and Regulatory Requirements Governing Use of MAS as a Competitive Procurement Procedure

The Competition in Contracting Act of 1984 (Title VII of division B of P.L. 98-369) requires executive agencies' contract awards, in general, to be based on "full and open competition," also referred to as "competitive procedures." This requirement means that all responsible suppliers—basically, those capable of meeting the government's needs—are allowed to compete equally for the government's business. Use of other than full and open competition is generally required to be justified and approved in writing.⁵ Even when procurement offices are not required to provide for full and open competition, federal regulations generally require agencies to solicit offers from as many potential suppliers as is practicable in the circumstances.

Moreover, the act specifically provides for the use of MAS as a competitive procedure if (1) participation in the MAS program has been open to all responsible suppliers and (2) MAS contracts and orders result in the lowest overall cost alternative meeting the needs of the government. Regarding the act's first condition, GSA is required to administer MAS so that participation in the program is open to all responsible suppliers. According to GSA officials, FSS and IRMS solicit all interested suppliers and award MAS contracts to those that meet GSA's terms and conditions, including its MAS pricing objectives. The act's second condition means, among other things, that agencies are required to define their legitimate needs in terms that are not unnecessarily restrictive of competition.

The regulatory requirements for placing orders under FSS and IRMS schedule contracts are not the same. When using FSS schedules, federal procurement offices have to satisfy the MAS ordering procedures set forth in Federal Acquisition Regulation (FAR) subpart 8.4 and Federal Property Management Regulation 101-26.4, as well as the FSS schedule and any individual contract requirements. GSA, the Department of Defense, the National Aeronautics and Space Administration, and the Office of Federal Procurement Policy have responsibility for issuing and revising FAR. Procurement offices' use of IRMS schedule contracts is covered by the Federal Information Resources Management Regulation (FIRMR) and FAR, as well as any individual schedule contract requirements. GSA has responsibility for issuing and revising FIRMR.

⁵Subpart 6.3 of the Federal Acquisition Regulation states the statutory and regulatory requirements for the justifications.

Objectives, Scope, and Methodology

At the request of the Chairman, House Committee on Government Operations, we reviewed MAS purchasing practices at six selected procurement offices and related program management issues at several agencies. Our specific objectives were to determine whether

- for a random sample of MAS orders exceeding \$25,000⁶ under both FSS and IRMS contracts, selected procurement offices' ordering practices complied with statutory and regulatory requirements, especially those regarding competitive procurement procedures and the placement of MAS orders with the lowest overall cost alternative meeting the needs of the government;⁷
- for selected MAS procurement cases, the procurement offices missed opportunities to select lower-cost alternatives—in terms of products, suppliers, or procurement approaches—meeting the government's needs; and
- MAS management practices of the procurement offices, higher levels within the agencies, and GSA were effective and ensured that MAS purchases were made at the lowest overall cost.

We performed our audit work at GSA headquarters and at three military and three civilian agency procurement offices. GSA headquarters and three of the six procurement offices covered are in the Washington, D.C., area: the National Institutes of Health's Division of Procurement (NIH); the Internal Revenue Service's National Office of Procurement Services (IRS); and the Defense Supply Service-Washington (DSS). The other three locations are the National Aeronautics and Space Administration's Langley Research Center, Hampton, Virginia (LRC); the Naval Supply Center, Norfolk, Virginia (NSC); and the Army Training and Doctrine Command Contracting Activity at Fort Eustis, Hampton, Virginia (TCA).

To accomplish our first objective, we selected a random sample of 164 MAS orders that the six procurement offices placed between July 1, 1990, and November 16, 1990. We reviewed MAS orders placed during this time period because (1) this was the latest period for which order data was

⁶Because FAR did not require agencies to document their actions for MAS order line items valued at \$1,000 or less, regardless of the value of the order, our findings and conclusions in this report relate only to line items exceeding that threshold. In May 1991, the \$1,000 per line item threshold was changed to \$2,500.

⁷In response to the Chairman's request, we have also issued a separate report, Multiple Award Schedule Purchases: Improvements Needed Regarding Publicizing Agencies' Orders, (GAO/NSIAD-92-88, May 12, 1992), relating to the statutory and regulatory requirements for public notification of agencies' proposed orders under IRMS MAS contracts.

available from offices' computerized procurement data systems at the time we were planning and initiating this work and (2) the six offices as a group made more MAS procurements during this time period than other similar periods during fiscal year 1990.

We selected more cases at some locations than others to arrive at an appropriate sample size for each office. Some offices did not maintain MAS purchase data separate from data on other types of procurement actions; therefore, we had to adjust our sample sizes to compensate for the non-MAS purchases we initially selected. Because of our sample sizes, our sample results can be projected to the statistical universe of all MAS procurements over \$25,000 made by these six offices during the time period. The following table contains information on our sampling plan, including the original sample, the adjusted population, and the final sample size.

Table 1.1: Sampling Plan

Location	Original population	Original sample	Not MAS purchases	Final sample	Adjusted population
DSS	130	48	18	30	81
IRS	42	42	12	30	30
LRC	70	30	0	30	70
NIH	133	30	0	30	133
NSC	105	67	37	30	47
TCA	14	14	0	14	14
Total	494	231	67	164	375

All results in chapter 2 are projected at the 95-percent confidence level using the adjusted population of all MAS procurements over \$25,000 made by the six offices during the period. The confidence intervals are shown in appendix I.

We reviewed the contents of each selected MAS procurement file and focused on whether

- MAS purchase requests were limited to one manufacturer's product and, if so, were accompanied by documentation explaining why no other product or service could meet the agency's needs and
- the procurement office considered, for FSS items, all or, for IRMS items, a sufficient number of MAS suppliers which could meet the agency's need and the office selected the lowest overall cost product or service available.

To accomplish our second objective, we judgmentally selected and reviewed 47 MAS procurement cases over \$25,000 placed by the six procurement offices from August 1989 through November 1990. Among the criteria we used to select specific procurements at each location were the following: (1) orders placed with the MAS supplier that received the highest total dollar value of orders; (2) orders placed with the supplier that received the largest number of orders over \$25,000; (3) orders that were typical of the types of MAS products and services ordered by the office; (4) orders for furniture systems, because special schedule ordering procedures applied; (5) orders for FIP resources over \$50,000; and (6) orders that appeared to have potential for consolidation (that is, two or more orders placed with the same MAS supplier for the same or similar items to satisfy the needs of one organization within a short time frame).

To determine if the office selected the lowest-cost alternative, we (1) evaluated schedule and specific MAS contract ordering terms and conditions; (2) compared the features and prices of selected products with similar items available from other MAS suppliers and, in the case of FIP products, open-market suppliers; and (3) obtained, in those cases where we identified another product, supplier, or procurement approach that could have provided a lower-cost alternative, the requisitioner's and procurement officials' views regarding the alternative product, supplier, or approach. In many cases, our search for alternative products to meet the agency's need was constrained by the requisitioner's request for a specific manufacturer's product. For many procurements in which the need for one manufacturer's product was cited, we did not determine if other manufacturers' products could satisfy the agency's legitimate needs, but rather limited our research to other suppliers of the identified manufacturer's product.

To accomplish our third objective, we (1) examined management practices in the MAS procurement case studies selected for detailed review, (2) discussed MAS procurement management practices with GSA officials and procurement officials at the selected procurement offices and agencies, and (3) obtained and reviewed numerous studies and reports from agencies addressing MAS procurements.

We conducted our review between August 1990 and March 1992 in accordance with generally accepted government auditing standards. As requested, we did not obtain agency comments on this report. However, we discussed the information in the report with GSA program officials and

Chapter 1
Introduction

procurement officials from the other six agencies and have included their comments where appropriate.

Requesting and Procurement Offices Did Not Ensure That MAS Orders Exceeding \$25,000 Were Based on the Lowest Overall Cost

Our sample of MAS purchases showed that the requesting and procurement offices often used purchasing practices that did not ensure that the orders would result in the lowest overall cost meeting their needs, as required by the Competition in Contracting Act. Requisitioners usually limited their purchase requests to one manufacturer's product without justifying that no other product could meet the agencies' requirements. Procurement offices usually considered only one or a few suppliers before placing orders, and they almost always purchased the specific product requested. In addition, procurement offices generally did not document the basis for their MAS purchase decisions. Regulatory provisions pertaining to MAS procurements were not always explicit in the requirements for complying with the Competition in Contracting Act and for documenting that compliance.

Offices Limited Consideration of Products and Suppliers

We found that requesting and procurement offices were generally using item or purchase descriptions that were inconsistent with full and open competition because the descriptions were limited to one manufacturer's product. In addition, in most cases the procurement offices considered just three or, usually, fewer MAS suppliers and almost always purchased the product from the specific supplier suggested by the requisitioner. Thus, the procurement offices did not routinely ensure that the orders were placed for the products and with the suppliers meeting the government's minimum needs at the lowest overall cost.

Requests Were Limited to One Manufacturer's Product

Most purchase requests we reviewed cited only one manufacturer's product and did not describe the characteristics of that product that were essential to meet the requesting office's minimum needs. On the basis of our statistical sample, we estimate that for 348 (93 percent) of the 375 MAS purchases in our universe, the requesters stated their needs in terms of a single manufacturer's product. (See table I.1 in app. I. The tables in app. I show results by procurement office and sampling errors for the projected numbers.) Also, for an estimated 279 (80 percent) of these 348 MAS purchases, the purchase requests or accompanying documentation did not describe the essential characteristics (the salients) of the products needed so that other manufacturers' products could be considered when only one manufacturer's product was requested. (See table I.2, app. I.)

For most of the estimated 279 MAS purchases, the contract file did not include any justification or explanation for why no other product could meet the requester's needs. We estimate that 209 (75 percent) of the 279 MAS purchases had item descriptions limited to one manufacturer's

Chapter 2
Requesting and Procurement Offices Did Not
Ensure That MAS Orders Exceeding \$25,000
Were Based on the Lowest Overall Cost

product with no justification.¹ The rate of such unjustified descriptions varied widely at the six procurement offices. (See table I.3, app. I.) For example, 22 of the 23 sampled purchases at the Langley Research Center were not justified. In contrast, only 2 of the 7 MAS purchases sampled at the Training and Doctrine Command did not have justifications for other than full and open competition; the Command requires justifications for all MAS purchases that cite (1) only one responsible supplier available or (2) urgency in filling a requirement as reasons for limiting consideration to one supplier. We did not assess the validity of such justifications.

The reasons purchase requests were limited to one manufacturer's product without justification were different for FSS and IRMS orders. For FSS orders, clear regulatory criteria was lacking. FAR 8.4 does not address whether descriptions of purchase requirements may be written to preclude consideration of all but a single manufacturer's product. However, another section of the regulation does prohibit such restrictive practices. Specifically, FAR 10.004(b)(2) provided, until it was recently strengthened, that purchase descriptions shall not be written so as to specify a product, or a particular feature of a product, peculiar to one manufacturer, thereby precluding consideration of a product manufactured by another company, unless a certain criterion was met. That criterion was a determination, in accordance with agency procedures, that the product or particular feature was essential to the government's requirements and that other companies' similar products lacked the features necessary to meet the minimum requirements for the item. Effective in June 1991, FAR 10.004(b)(2) was revised to (1) recognize that the use of such a description does not satisfy the statutory requirements for full and open competition and (2) specify that the determination required is a justification and approval for other than full and open competition, in accordance with FAR 6.3.

GSA officials, however, said that FAR part 10, which prescribes policies and procedures for describing agencies' purchase requirements, does not apply to FSS schedule orders. According to GSA officials, FAR does not require a justification of any type for purchases under FSS MAS contracts based on such restrictive purchase descriptions. The officials noted that GSA's guidance to agencies on ordering from FSS schedules suggests that requisitions limited to products of a single manufacturer be justified by

¹ Because regulatory requirements for FSS items, unlike those for IRMS items, did not require a justification for other than full and open competition in accordance with FAR 6.3, for FSS items we accepted as a justification any written explanation in the file for why no other manufacturer's item could meet the requester's needs.

requisitioning personnel and approved by the contracting officer. This guidance, which is not mandatory, states that the justification should contain sufficient facts and supporting data to show that other companies' similar products would not meet the minimum requirement.

In contrast, FIRM provisions that apply to purchases under IRMS MAS contracts provide that a purchase description limited to one manufacturer's product (1) shall be used only when no other type of specification can meet the needs of the government, (2) is other than full and open competition, and (3) should be justified and approved in accordance with FAR 6.3. (See FIRM 201-39.601.) However, agencies frequently did not comply with these requirements for IRMS orders.

Three or Fewer Suppliers Usually Were Considered

Statutory requirements that MAS purchases result in the lowest overall cost alternative meeting the needs of the government imply, certainly for the MAS orders we reviewed (those greater than \$25,000), that all reasonably available MAS suppliers able to meet the government's needs should be considered. For many years FAR requirements have emphasized placing orders either based on the lowest delivered price or otherwise resulting in the lowest overall cost alternative meeting the government's needs.² However, FAR was revised in May 1991 to specifically recognize that agencies should consider the reasonably available MAS suppliers meeting the government's needs.³ In contrast, FIRM requires that a "reasonable" (and previously required that a "sufficient") number of MAS suppliers be considered so that the FIP requirements can be met at the lowest overall cost to the government, but has not defined what constitutes a reasonable or sufficient number.

On the basis of our sample, we estimate that for 322 (86 percent) of the 375 MAS purchases one manufacturer's product was requested and procurement personnel considered three or fewer suppliers for the requested item before placing the MAS order. Five of the six procurement offices considered three or fewer suppliers for over 90 percent of their purchases in our sample. (See table I.4, app. I.)

²The regulations provide that orders based on the lowest delivered price satisfy the statutory requirement for lowest overall cost.

³FAR 8.4 requires the ordering office to review the MAS price lists that are reasonably available at the office and, where it has available fewer than three price lists from current MAS suppliers that offer the required items, obtain additional price lists from MAS suppliers listed in the GSA schedule.

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Moreover, the majority of procurement files showed that only one supplier was considered. We estimate that for 217 (58 percent) of the 375 MAS purchases, one manufacturer's product was requested and procurement personnel considered only one supplier. (See table I.5, app. I.) Sample results ranged from 45 percent at the Internal Revenue Service to 89 percent at the Naval Supply Center. The Supply Center's procurement policy for MAS purchases erroneously allowed contracting officers to consider only one supplier before placing an order. A memorandum from the former director of the procurement division stated this policy and was included in many procurement files as a justification for considering only one supplier.

We found that for an estimated 63 (17 percent) of the 375 MAS purchases, procurement files showed that even when procurement officials considered more than one supplier to provide the one manufacturer's product requested, they documented a price quote from only one supplier ("no bid" responses were documented for all the other suppliers). Sample results ranged from zero percent at the Naval Supply Center to 75 percent at the National Institutes of Health. (See table I.6, app. I.) Twelve of the National Institutes' procurement files sampled contained requests for one manufacturer's product and showed consideration of more than one contractor. However, documentation in 9 of these 12 files showed that only one priced quote was obtained. The National Institutes' policy for all MAS purchases is to consider three suppliers, consisting of the requested contractor and two others.

Finally, almost all orders were placed with a contractor suggested by the requester. On the basis of our sample, we estimate that in 272 (73 percent) of the 375 MAS purchases, the requisitioner requested one manufacturer's product and suggested only one supplier, and procurement personnel placed the order with that supplier.⁴ (See table I.7, app. I.) In an additional estimated 17 percent of the purchases, the requisitioner suggested more than one supplier, and the delivery order was placed with one of the suppliers suggested.

⁴A requisitioner asking for one manufacturer's product might suggest one or more suppliers. Such a product might have only one supplier (for example, the manufacturer) or might be available from more than one (for example, authorized distributors or suppliers other than the manufacturer). FSS schedules generally have only one supplier for any particular manufacturer's product, but IRMS schedules often provide more than one supplier for the same product.

Procurement Officials Did Not Document the Basis for Supplier Consideration and Selection

The procurement files we reviewed provided some information on the MAS purchases. However, in most instances, procurement officials did not document decisions regarding supplier consideration or selection of the contractor with which they placed the MAS order. Also, the files did not show that the purchase was made at the lowest delivered price or overall cost.

Regulations Require That All Contract Actions Be Documented

FAR 4.8 requires that the basis for all contract actions and decisions be documented in the procurement file. File documentation is required to be sufficient to constitute a complete history of the transaction for the purpose of (1) providing a complete background as a basis for informed decisions at each step in the acquisition process, (2) supporting actions taken, (3) providing information for reviews and investigations, and (4) furnishing essential facts in the event of litigation or congressional inquiries. This FAR requirement applies to all the MAS purchases we reviewed.

In addition, FAR 8.4 required agencies to justify FSS orders with line items exceeding \$1,000 (currently \$2,500) that were placed with a schedule contractor at other than the lowest delivered price. That is, the procurement file should include documentation explaining why such line items were not purchased at the lowest price meeting the government's needs.

Files Did Not Document That Offices Considered All Suppliers That Should Be Considered

Most of the MAS procurement files we reviewed did not contain documentation that the procurement offices considered all the suppliers they should have. On the basis of our sample, we estimate that 248 (66 percent) of the 375 MAS purchases did not have such documentation. (See table I.8, app. I.) More specifically, we estimate that for 143 (83 percent) of the 173 FSS schedule purchases in our universe no documentation existed to show that all reasonably available suppliers were considered; and we estimate that for 104 (51 percent) of the 202 IRMS schedule purchases in our universe no documentation was on file to show that a sufficient or reasonable number of suppliers was considered.

When files did document consideration of all suppliers that should have been considered, such documentation usually related to either a synopsis

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notice in the Commerce Business Daily or a justification for limiting consideration of suppliers.⁵ Table 2.1 provides our results regarding the types of documentation that showed adequate consideration of suppliers. Only an estimated 12 of the 375 procurement files included a statement indicating that the procurement office considered all MAS contractors that met (or might meet) the requesting office's requirements. The sampling error rates relating to table 2.1 are shown in table I.9, appendix I.

Table 2.1: Estimated Number of Files With Some Form of Documentation on Supplier Consideration

Documentation in file	Estimated number of files
Procurement office considered all MAS contractors	12
Results of the market survey performed	6
Synopsis in the <u>Commerce Business Daily</u> (only)	44
Justification for other than full and open competition (only)	28
Both a justification and a synopsis in the <u>Commerce Business Daily</u>	22
Other documentation	14
Total	127^a

^aThe numbers do not add to the total due to rounding.

No Support in Files That Purchases Were Made at the Lowest Overall Cost

Most of the MAS procurement files did not document that the purchases were made at the lowest delivered price or lowest overall cost meeting the government's needs. We estimate that 273 (73 percent) of the 375 MAS purchases did not have such file documentation. Of the remaining 102 files, an estimated 44 contained clear evidence that the purchase was made at the lowest delivered price or lowest overall cost, and an estimated 58 files contained some type of documentation, but it was questionable. Table 2.2 projects what was in the estimated 273 files. The sampling error rates relating to table 2.2 are shown in table I.10, appendix I.

⁵Commerce Business Daily notices are not required for FSS schedule purchases, but are required by FTRMR for IRMS schedule purchases exceeding \$50,000.

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Table 2.2: Estimated Number of Files Without Documentation That Purchase Was Made at the Lowest Overall Cost

Documentation in the File	Estimated number of files
The procurement office selected the lowest quoted price of the suppliers considered (generally three or fewer).	131
The lowest quoted price was not selected, and it was unclear how or why the contractor that received the order was selected.	80
Only one price was documented (the file did not contain a justification for other than full and open competition).	62
Total	273

Conclusions

The requesting and procurement officials at the agencies we reviewed did not ensure that their purchasing practices for MAS orders exceeding \$25,000 were in compliance with statutory requirements that such orders result in the lowest overall cost alternative meeting the government's needs. Requisitioners' requests for one manufacturer's product, which were not accompanied in the procurement files by either (1) a description of the essential characteristics that would satisfy the agency's requirement so that other manufacturers' products could be considered or (2) a justification for why no other manufacturers' products could meet the agency's requirement, were frequently accepted and acted on by the procurement offices. Such acceptance and actions inappropriately limited consideration of MAS products and suppliers. In a majority of cases, procurement personnel routinely considered only one supplier before placing orders for requested products. Finally, in most cases, MAS procurement files did not clearly document the procurement officials' decisions regarding the consideration of suppliers, the selection of the contractor with which to place the MAS order, or placement of the order at either the lowest delivered price or lowest overall cost.

Our review also indicated that the regulatory requirements are inadequate or ambiguous in some areas. With respect to the lack of FAR coverage addressing purchase descriptions for proposed MAS orders, incorporating the requirements of FAR 10.004(b)(2) into FAR 8.4 would help ensure that agencies consider all manufacturers' products capable of meeting the government's needs. Further, revising FIRM to require procurement officials to consider all reasonably available suppliers for orders exceeding \$25,000—rather than an undefined "reasonable" number of suppliers—would help ensure that IRMS MAS orders result in the lowest overall cost alternative meeting the government's needs. Finally, revising FAR 8.4 and FIRM to require agencies to document their MAS purchase decisions would, among other benefits, improve accountability and provide

information for the agencies to better ensure compliance in their MAS purchasing practices.

Recommendations

We recommend that the Administrators of the Office of Federal Procurement Policy, the General Services Administration, and the National Aeronautics and Space Administration and the Secretary of Defense revise FAR 8.4, for FSS MAS orders expected to exceed \$25,000, to require that

- purchase descriptions be written in accordance with FAR 10.004(b)(2) to permit those manufacturers' products meeting the government's needs to be considered and purchase descriptions restricted to a particular manufacturer's product be accompanied by a justification for other than full and open competition, consistent with FAR 6.3, and
- documentation be included in the procurement file showing (1) that all reasonably available suppliers meeting the government's needs were considered (which might include, for example, listing such suppliers' products with appropriate model numbers and prices or copying contractors' catalog price list pages containing such information), (2) reasons for not obtaining prices regarding MAS suppliers' products meeting the government's needs, (3) the basis for selecting the MAS supplier that received the order, and (4) how the lowest delivered price or lowest overall cost alternative was determined.

We recommend that the Administrator of General Services revise FIRM, for IRMS MAS orders expected to exceed \$25,000, to require that

- all reasonably available suppliers be considered⁶ and
- documentation be included in the procurement file showing (1) that all reasonably available suppliers meeting the government's needs were considered (which might include, for example, listing such suppliers' products with appropriate model numbers and prices or copying contractors' catalog price list pages containing such information), (2) reasons for not obtaining prices regarding suppliers' products meeting the government's needs, (3) the basis for selecting the supplier that received the order, and (4) how the lowest overall cost alternative was determined.

⁶Implementing this requirement would be facilitated by revising FIRM to be consistent with the statutory requirement that proposed awards exceeding \$25,000 be published in the *Commerce Business Daily*, as we recommended in our previously cited report (GAO/NSIAD-92-88).

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Recommendations and matters for congressional consideration addressing agencies' noncompliance with the existing statutory and regulatory requirements and other MAS program management problems are made in chapter 4.

Agencies Missed Opportunities for Savings

Our review of 47 MAS procurement cases showed that in 19 (40 percent) the agencies did not select the lowest overall cost alternative available meeting the government's minimum needs. As a result, the agencies missed opportunities to save between \$269,000 and \$323,000, or 8.9 to 10.7 percent, of the \$3 million spent in these 19 cases. In most of these cases, savings were available by following schedule ordering provisions, planning and managing the procurement more effectively, selecting another product or supplier, or consolidating orders. In another 10 procurement cases (21 percent), actions taken by the procurement office or other unresolved questions precluded our making a determination of whether a lower-cost alternative was available. In the remaining 18 cases (38 percent), we did not identify lower-cost alternatives. However, our ability to identify lower-cost alternatives was significantly constrained in many of the 47 cases, including cases for which we did identify some savings, by purchase requests that were limited to one manufacturer's product and did not list the essential characteristics of the government's requirement so that other manufacturers' products could have been reasonably considered.

Using Requote Procedure Would Have Resulted in Savings

In three furniture systems procurements, we found that the procurement offices could have received discounts totaling from \$61,992 (6 percent) to \$103,319 (10 percent), in addition to discounts already available through MAS contracts, if they had followed the furniture systems schedule ordering procedure for obtaining "requotes."¹ At the time of our review, this procedure allowed procurement offices to place orders exceeding the maximum order limitation against existing schedule contracts without initiating new competitive procurements. In accordance with GSA's solicitation and contract terms and conditions relating to the underlying MAS contracts for furniture systems, the agencies could solicit offers from all current schedule contractors to requote their discounts on any furniture systems project of 50 or more workstations or exceeding \$125,000 (net product value), including multiyear requirements. The GSA Contracting Officer and Branch Chief for the Furniture Systems Management Division and a GSA furniture systems contract specialist told us that (1) the discounts from furniture systems requotes typically ranged from 6 to 12 percent, (2) requote discounts in the range of 6 to 10 percent were common for projects the size of the three procurements we evaluated, and

¹Because neither GSA nor the agencies had quantified the administrative cost of using the requote procedure, our requote savings estimates do not reflect such administrative costs.

(3) such discounts were in addition to the discounts already negotiated by GSA off the manufacturers' list prices.

Applying this 6- to 10-percent estimate range, we found that by using requotes, the Defense Supply Service-Washington could have obtained additional discounts of \$33,500 to \$55,800 in procuring furniture systems for the renovation of the Naval Military Personnel Command in Arlington, Virginia. The National Institutes of Health could have received additional discounts of \$16,600 to \$27,700 in purchasing furniture systems for the Cancer Therapy Evaluation Program. In addition, the Langley Research Center could have obtained additional discounts of \$11,900 to \$19,800 in purchasing new furniture for its financial management division.

Discussions with requisitioners and procurement officials involved in these procurements indicated that similar problems in all three procurements accounted for these officials (1) not being aware of or otherwise not complying with schedule ordering procedures and (2) not taking advantage of the additional discounts available through the requote procedure. Specifically, procurement officials permitted requisitioners to obtain preliminary floor plans, workstation designs, and quotations from a few (three at most) furniture systems dealers on the schedule. The schedule, however, prohibited procurement offices from obtaining preliminary interior design plans from dealers on the furniture systems schedule. Instead, plans should have described requirements in generic terms so that all interested MAS suppliers could have provided quotations. According to GSA officials, dealers' preliminary designs generally were limited to a single or limited group of furniture lines and could have been unduly restrictive. The schedule stated that generic designs were required to ensure maximum competition and effective pricing.

Requisitioners and procurement officials said they were not aware that furniture systems schedule contractors were prohibited from providing preliminary designs. The GSA Branch Chief, Furniture Systems Management Division, told us that agency personnel should have been aware of this prohibition. A National Institutes of Health procurement official stated that if agencies were prohibited from obtaining designs from furniture dealers on the schedule, GSA should have provided a MAS schedule for design services because few requisitioners and procurement personnel feel competent to prepare floor plans. The GSA Branch Chief agreed that many agencies may need design assistance and it may be appropriate for GSA to take steps to assist agencies in meeting such needs.

Requisitioners and procurement officials also stated that they were not aware that they could have requested requotes for furniture systems projects to be funded and completed over a period exceeding 1 fiscal year. They said they thought the requote provision was applicable only to individual purchase requests exceeding the maximum order limitation. Consequently, they placed multiple MAS orders below the maximum order limitation with the same manufacturer or dealer over 1 or more fiscal years and missed opportunities to consolidate project requirements so as to take advantage of price savings available through the requote procedure. Although the schedule stated that multiyear requirements were acceptable under requote as long as the total requirement was stated and the term specified, the GSA Branch Chief, Furniture Systems Management Division, said that procurement personnel may have needed to be better informed regarding use of the requote procedure.

Since our review, use of the requote procedure has been determined to be improper.² GSA management officials stated that, in light of this determination, they have suspended all use of the requote procedure. In the absence of this procedure, agencies may issue solicitations and award new contracts for requirements exceeding the maximum order limitation; GSA officials said they could not estimate whether or to what extent savings would result.

Poor Procurement Management Resulted in Unnecessary Costs

In another 3 of the 19 MAS procurement cases for which we identified missed opportunities for savings, a lack of procurement planning and oversight resulted in unnecessary costs. For example, the National Institutes of Health in late September 1990 processed a MAS order totaling \$85,334 to purchase furniture systems parts from one schedule contractor. In this case, we found that the procurement office did not comply with either specific schedule ordering procedures or the agency's own furniture procurement review and approval requirements. Specifically, this procurement violated the furniture systems schedule requirements to (1) order complete workstations, not components; (2) not use schedule contractors to prepare workstation designs; and (3) justify limiting consideration to only one supplier, as required by FAR. In addition, the

²In a February 1992 decision, the Comptroller General held that the "requote arrangements" clause in an FSS solicitation for road clearing and cleaning equipment was inconsistent with the statutory requirement for full and open competition and, thus, improper because it provided for limited competition exclusively among FSS suppliers for items in excess of the maximum order limitation, instead of permitting all interested suppliers to compete (Komatsu Dresser Company, B-246121, Feb. 19, 1992).

office's review and approval process for furniture purchases was not completed for this procurement because neither the requisitioner nor the recommended schedule contractor provided the reviewing office with a listing of needed furniture components. After making several unsuccessful attempts to obtain the listing, a reviewing official determined that the procurement could not be approved and completed by the end of the fiscal year and recommended that the furniture request be returned to the requisitioning office.

The procurement should have been canceled because it violated both schedule and agency procurement requirements and procedures. Nevertheless, the MAS order was placed with the requested schedule contractor in late September 1990, and funds were obligated before the fiscal year ended. Senior procurement officials acknowledged the problems we identified with this MAS procurement and indicated that issuing the order without the required review and approval was an oversight. The senior contracting officer involved in this procurement said that the order was placed because the requisitioning office had established a bona fide need for the furniture and the funds budgeted for this requirement would have expired had they not been obligated. Based on the Competition in Contracting Act, FAR states that contracting without providing for full and open competition shall not be justified on the basis of (1) a lack of advance planning by the requiring office or (2) concerns related to the amount of funds available (for example, funds will expire) for the acquisition of supplies or services.

In another case involving the National Institutes of Health, the requisitioner and procurement officials did not structure the procurement of a laser printing system so that suppliers of lower-cost, used equipment would respond. The initial synopsis notice, published in the Commerce Business Daily, required suppliers that responded to (1) offer new equipment only and (2) provide full-service maintenance on this equipment for a period of 1 year. A second synopsis, published after the procurement office received a letter protesting the new equipment-only provision, allowed used equipment to be offered. However, among the additional provisions contained in the second synopsis was a requirement for suppliers of used, but not new, laser printing equipment to certify and guarantee to provide full-service maintenance for both hardware and software for 7 years.

Two used equipment suppliers we contacted said that they could offer reconditioned Xerox equipment that would qualify for the manufacturer's full-service maintenance agreement at a savings of up to \$44,340

(22 percent) compared with new equipment. However, they could not guarantee that maintenance services would be available for the 7-year period. Consequently, these suppliers would not have been able to respond to the synopsis notice. The agency purchased a new Xerox printing system from the manufacturer's schedule contract for \$204,995. National Institutes of Health procurement and automated data processing policy officials said that (1) the procurement should have been planned as two separate buys—one for the equipment, the other for the required maintenance service—and (2) in that way, the agency could have taken advantage of the cost savings available from the purchase of used equipment.

In an Internal Revenue Service procurement of personal computer software, the purchasing agent placed a MAS order that exceeded the maximum order limitation. The agency should have conducted a competitive procurement. The contract file documented a commercial price quote from one supplier for the same software at \$10,080 (12 percent) less than the \$82,180 the agency paid for it. Moreover, the MAS supplier that received the order quoted a commercial price to a procurement official that was \$5,000 lower than its own schedule price. Agency procurement officials acknowledged that a competitive solicitation should have been issued for this procurement.

Lower-Priced Suppliers or Products Were Available to Satisfy Requirements

In 7 (37 percent) of the 19 cases for which procurement offices missed opportunities for savings, we identified either a lower-priced alternate supplier for the same product purchased or another manufacturer's product that would have met the agency's need at a lower price.

At the Army's Training and Doctrine Command, for example, we found that two suppliers, one with a MAS contract and the other quoting its commercial (open-market) prices, could have satisfied a request for Everex computers at a lower price than that of the MAS suppliers selected by procurement officials. They placed two orders for a total of three computers with two MAS contractors. The total cost of these orders was \$47,745. If the procurement office had placed the order with the MAS supplier we identified, the savings would have been \$1,003 (2.1 percent). The commercial supplier offered the same computers for \$5,197 (10.9 percent) less than the MAS order amount. The contracting officer said that she (1) did not know about the MAS supplier we identified, (2) did not have information from GSA identifying all schedule contractors, and (3) did not consider suppliers that did not have schedule contracts because it took

about 6 months to process competitive solicitations and the requisitioner's funding would have expired by that time.

In another case, also at the Training and Doctrine Command, procurement officials within a 2-week period placed nine orders totalling \$95,740 with a MAS contractor for computer software and coaxial adapter cards to connect personal computers to a mainframe computer. We identified two other MAS suppliers and a commercial supplier that offered lower-priced comparable products meeting the agency's requirements. If the officials had placed one order for all the items with the commercial supplier, the price would have been about \$11,825 (12.4 percent) less than the amount the office paid the selected MAS supplier. By ordering one item from the lower-priced schedule contractor we identified and the other items from the commercial supplier, the office could have saved approximately \$14,083 (14.7 percent). Procurement office officials (1) could not explain why the orders had not been placed with the commercial supplier, which had received four other orders for the same items during the preceding 3-week period, and (2) were not aware that the MAS supplier we identified offered a comparable product at a lower price than that offered by the supplier selected.³

Consolidating Orders Could Have Resulted in Savings

In the remaining 6 (32 percent) of the 19 cases for which agencies missed opportunities for cost savings, the procurement offices did not consolidate requirements. As a result, they spent time and resources processing more MAS orders than necessary and did not obtain discounts offered by some MAS contractors for large dollar procurements.

At the National Institutes of Health, for example, a purchasing agent, with the approval of the supervisory contracting officer, placed three MAS orders on the same day with the same company for scientific equipment. This company's MAS contract provided for an additional discount of 1 percent for individual orders exceeding \$300,000. These orders totalled \$303,600. The agency, therefore, could have saved \$3,036 (1 percent) if contracting officials consolidated the three orders. The contracting officer stated that he was unaware of the additional 1-percent discount and that a company representative told him that no additional discount was available.

³Officials in the Training and Doctrine Command awarded a requirements contract for these and other items in December 1990. The software and cards requested in the nine orders would have cost about \$34,550 under the requirements contract, 64 percent less than the combined amount of the nine delivery orders.

In addition, the agency could have saved an estimated \$1,000 in administrative costs by processing only one order instead of three. (GSA officials stated that (1) the administrative processing costs of a MAS order could vary significantly depending on the specific internal procedures within each agency and (2) estimating these costs at \$500 per MAS order would be reasonable.)

During August 1990 a contracting officer at the Langley Research Center placed three orders totalling \$376,235 with the same MAS contractor for data acquisition systems to be used in a wind tunnel test project. Combining any two of the three orders would have given the agency an additional 1-percent discount based on the combined order amount under the terms of the supplier's MAS contract, resulting in savings of \$2,384 to \$2,772. Moreover, if all three orders had been consolidated, the procurement would have exceeded the maximum order limitation, and the contractor may have offered even higher discounts on a larger competitive procurement.

At the Naval Supply Center, in response to six requisitions for industrial furniture for a new maintenance building, procurement officials placed six separate orders that totalled \$77,227 with one MAS contractor during September 1990. If these requisitions had been consolidated into one order, the agency could have saved an estimated \$2,500 (3 percent) in administrative costs. Contracting officials said they try to consolidate requirements; however, they have no requisition review procedure or process to detect (1) large requirements that may have been fragmented by a requisitioner to avoid exceeding either the maximum order limitation of a particular MAS contract or the threshold amount for synopsis in the Commerce Business Daily or (2) opportunities to consolidate requirements into one order or fewer orders. (See ch. 4 for further discussion of the consolidation issue.)

Agencies May Have Missed Opportunities for Savings in Another 10 MAS Procurements

For 10 (21 percent) of the 47 procurement cases we reviewed, actions taken by the procurement office or other unresolved questions precluded us from determining whether a lower-cost product, supplier, or procurement approach was available to meet the agencies' needs. In 4 of the 10 cases, we found that lower-priced products were available; however, we could not determine whether these items, which had either different or fewer features than the products procured, would have satisfied the requisitioners' requirements. In four other cases, we were precluded from looking for comparable lower-priced products because the requisitioners

defined their requirements in terms of a single manufacturer's product; however, the use of such purchase descriptions had not been justified. In the remaining two cases, we could not determine whether savings might have resulted from competitively soliciting copier maintenance services instead of placing two MAS orders with each of the two MAS contractors involved.

At the Training and Doctrine Command, for example, procurement officials ordered 20 camcorders with Hi8 resolution—a superior resolution videocamera available from only one manufacturer—for \$59,860 in September 1990. On the basis of discussions with the requisitioner, we found that he did not need camcorders with Hi8 resolution. Procurement officials acknowledged that (1) they had told the requisitioner to identify the specific manufacturer's product he wanted to ensure that the procurement would be completed quickly, before funding authorization expired at the end of the fiscal year, and (2) they should have researched other products to obtain the lowest-cost item meeting the agency's need. However, they said that it was too late in the fiscal year to conduct the research because the funding would have expired before the order was placed. They also recognized that a synopsis notice for this requirement was not, but should have been, placed in the Commerce Business Daily. Thus, the agency lacked reasonable assurance that another supplier would not have offered the same or comparable equipment at a lower price in response to a synopsis notice.

In another case, the National Institutes of Health in fiscal year 1991 procured annual copier maintenance services by placing two large MAS orders totaling \$571,768 with one schedule contractor. Each order exceeded this supplier's maximum order limitation for copier maintenance services. A GSA contracting officer responsible for the FSS copier schedule told us that MAS contractors generally will offer prices lower than their schedule prices in response to large competitive solicitations.

No Lower-Cost Alternatives Identified in Remaining 18 Procurements

We did not identify a lower-cost alternative in 18 (38 percent) of the 47 procurements. In two cases, we contacted all the available MAS suppliers that might have met the agency's needs, and none offered a lower price than the supplier selected. In another 6 cases, the file contained a justification for other than full and open competition, identifying the specified manufacturer as the only responsible supplier to provide the essential features of the product or service required, and we could not find other responsible suppliers. In the remaining 10 cases, our search was

constrained by one or both of the following factors: (1) the purchase description was limited to a specific manufacturer's product without listing the essential product characteristics needed to meet the agency's requirement, which would have helped us determine if other manufacturers' similar products would have met the requirement, and (2) it was unclear whether other products could satisfy requirements that new equipment and software be compatible with existing equipment or software.

Conclusions

Our review of 47 MAS procurement cases, each over \$25,000, showed that agencies were not routinely complying with existing regulatory requirements and specific schedule ordering procedures and, as a result, they frequently missed opportunities to save money. Particularly in the furniture systems procurements we reviewed, agencies missed cost savings opportunities because requisitioners and procurement officials did not understand and comply with the schedule provisions. Because of the many problems identified in all of the furniture systems procurements reviewed we believe that the problems may be governmentwide. Other federal agencies also may not understand or may not be properly implementing the ordering provisions of the furniture systems schedule and could benefit from additional training, guidance, or both. In addition, because the schedule prohibits agencies from obtaining preliminary interior design plans from furniture dealers on the schedule, GSA's customer agencies may not be able to meet their needs for interior design services. GSA could examine these needs as a first step in assisting the agencies in meeting them.

In other MAS procurements, procurement officials spent more money than necessary or did not place orders with the lowest-cost alternative available because they (1) did not properly plan and oversee the procurements; (2) accepted a requisitioner's request for a specific manufacturer's product without first determining if other products and suppliers could satisfy the requirement at a lower cost; and (3) did not identify available opportunities to consolidate requirements to obtain additional discounts from the MAS contractors on large orders and save the administrative costs of processing additional MAS orders. Furthermore, some of the procurements we reviewed, if combined with other orders placed by the office during the same time period with the same MAS contractor, would have exceeded applicable maximum order limitations. It might have been possible to obtain better prices through competitive solicitations rather than placing orders under MAS for these products and services.

Recommendations

We recommend that the Administrator of General Services take action to

- ensure that the heads of all federal departments and agencies which use the furniture systems schedule (1) plan and conduct furniture systems procurements in accordance with the schedule provisions and (2) monitor the effectiveness of agencies' implementation efforts and
- examine customer agencies' needs for preliminary interior design services and, if appropriate, take steps to assist agencies in meeting those needs, possibly by awarding MAS contracts for design services.

Recommendations and matters for congressional consideration addressing agencies' noncompliance with existing statutory and regulatory requirements and other MAS program management problems are made in chapter 4.

Management Practices Do Not Ensure Lowest Cost or Effective MAS Program Operations

Our review indicated that agency management practices permitted procurement officials to (1) accept and process purchase requests specifying a specific manufacturer's product with little or no justification and (2) conduct MAS procurements exceeding \$25,000 even less stringently than they do small purchases, even though simplified small purchase procedures do not apply to the MAS program. Agencies also have not implemented other sound management practices to ensure the government's needs are met at the lowest overall cost. For example, procurement officials generally did not plan and evaluate their MAS procurements and exercised limited oversight of individual MAS orders. Officials also had not established criteria or procedures for identifying MAS order fragmentation and opportunities for consolidating requirements. In addition, GSA has not evaluated or monitored agencies' compliance with either the statutory and regulatory requirements for MAS purchases or the ordering provisions of specific schedules and MAS contracts.

Agencies Ignored the Requirement to Satisfy Their Needs at the Lowest Overall Cost

At the procurement offices we reviewed, it was generally a routine and accepted practice to process a request for a specific manufacturer's product available on a MAS contract and place a MAS order with little or no justification or evidence that other manufacturers' products on the schedule could not satisfy the requirement at a lower overall cost. Procurement officials at all six offices said that it was often not practical or cost-effective for their buyers to evaluate all similar MAS products meeting the government's minimum needs because (1) using the schedules and suppliers' catalogs was too time-consuming and (2) useful comparative information about different products was not readily available from GSA. The procurement officials also stated that their buyers, for the most part, lacked the technical expertise to make informed product and price comparisons for sophisticated MAS items. Buyers who make small purchases have generally been given responsibility for placing MAS orders, regardless of dollar value, using similar procedures, which included soliciting price quotes from no more than a few suppliers.

Requests for a Specific Manufacturer's Product Routinely Accepted

As discussed in chapter 2, requisitioners usually limited their requests to one manufacturer's products, but these requests often were not accompanied by a justification or sufficient supporting information showing that other companies' similar products had been considered and would not meet their minimum requirements. Despite this lack of support, procurement offices routinely accepted and processed these requests. On the basis of our sample results of the six offices reviewed, only the Training

and Doctrine Command regularly submitted justifications for other than full and open competition with purchase requests limited to products of a specific manufacturer.

**Determining Lowest-Cost
Alternative Not Considered
Practical or Cost-Effective**

According to procurement officials we interviewed, even if requisitioners submitted purchase requests listing salient characteristics, it was often not practical or cost-effective for buyers to comply with the statutory and regulatory requirements to determine the lowest overall cost alternative. These officials said that making product and price comparisons to determine the lowest cost was generally too time-consuming and difficult using the schedules and suppliers' catalogs. For example, for numerous items, several MAS suppliers offer functionally similar products; however, the catalog descriptions for these products are different, and, according to the officials, procurement personnel cannot effectively compare products using such information to select the lowest-cost item meeting the user's needs.

In addition, the procurement officials also stated that their procurement staffs' work loads were too high to devote the time and effort needed to ensure that all similar MAS products were considered before placing orders. Moreover, procurement officials at all of the procurement offices reviewed, except the Langley Research Center, said that their buyers generally lacked the technical skills to make such evaluations.

The practicality of determining lowest-cost MAS alternatives relates to our findings in two other areas. First, at the offices we reviewed the buyers given responsibility for MAS purchases, regardless of dollar value, were usually also given responsibility for small purchases and were generally expected to place MAS orders and small purchases using similar procedures. Small purchase buyers usually handle a relatively large number of purchases using very simplified practices. Second, procurement officials we interviewed widely agreed that GSA needs to do more to facilitate ordering under MAS contracts. These matters are discussed in more detail in the following two sections.

**MAS Procurements
Conducted Like Small
Purchases**

Small purchase procedures are intended to reduce administrative costs and improve opportunities for small businesses. For purchases exceeding \$2,500 but not \$25,000, FAR 13.106(b)(5) generally requires solicitation of at least three suppliers. The small purchase procedures provided in FAR are generally applicable to purchases of \$25,000 or less but do not apply to

MAS purchases, regardless of dollar value. However, our review indicated that buyers at all six procurement offices conducted MAS procurements as if procedures more lenient than the small purchase procedures in FAR applied. (See our sample results in ch. 2.)

In addition, procurement officials at five of the six procurement offices encouraged buyers to compare no more than three MAS suppliers prior to placing any FSS MAS order up to the maximum order limitation (typically \$75,000 to \$300,000) or any IRMS schedule order up to the Commerce Business Daily synopsis threshold in FIRMR (\$50,000). However, the head of the Acquisition Division's Purchase Branch at the Langley Research Center said that all MAS suppliers meeting the agency's needs are considered before placing MAS orders, although she added that documentation of this practice was lacking until recently.

GSA officials noted that, with respect to FSS schedule purchases, an ordering office should consider all MAS contractors capable of satisfying the agency's minimum requirements, if the contractors' catalogs and price lists were available at the ordering offices. However, GSA officials also acknowledged the concerns of procurement personnel about the time and difficulties associated with comparing MAS products of different suppliers, given the large number of similar products on some schedules and the lack of standard nomenclature to describe comparable features for similar products. Some GSA acquisition policy officials and attorneys cited the FAR 13.106 requirement to solicit at least three price quotes for small purchases as a useful benchmark regarding the number of MAS suppliers' price lists to be reviewed for MAS orders below \$25,000. Both GSA and agency officials have interpreted the mid-1991 change to FAR 8.405-1 regarding the review of all schedule price lists that are "reasonably available" as endorsing the practice of checking at least three MAS suppliers' prices prior to placing any MAS order, regardless of dollar value.

Regarding IRMS schedule procurements, GSA officials stated that an agency must first determine that the schedule contains items that would meet its specific needs at the lowest cost. However, there was no consensus among them regarding what constitutes a sufficient or reasonable number of suppliers to consider before placing an order under \$50,000. For orders expected to exceed \$50,000, the officials said that agencies are required to publicize preaward notices in the Commerce Business Daily and fully consider all responses received.

As mentioned in chapter 1, MAS orders valued at \$25,000 or less accounted for an estimated 97 percent of the agencies' MAS transactions but only half of the value of MAS orders. Procurement officials we interviewed said that the ordering requirements for such purchases should not be any more stringent or burdensome than the requirements for small purchases, particularly since GSA has already negotiated discounts off the MAS contractors' commercial prices.

The statutory requirement to select the lowest-cost alternative, which implies considering all reasonably available suppliers meeting the agency's needs, applies to all MAS orders regardless of dollar value. Because procurement statutes and regulations do not authorize the use of administratively less burdensome procedures for placing lower dollar value MAS orders, procurement offices tended to ignore the requirement to obtain the lowest overall cost alternative and did not give significantly greater attention to the relatively few higher value MAS orders, such as those exceeding the small purchase threshold. However, such higher value orders provide the greatest potential for cost savings. Procurement officials acknowledged that for orders over the small purchase threshold, the MAS program would still offer a much quicker and less costly alternative than soliciting offers for commercial items in the open market, even if buyers are required to consider all reasonably available suppliers.

**GSA Needs to Provide
Readily Accessible
Comparative Information**

A broad consensus existed among procurement officials we interviewed in the procurement offices, agencies, and GSA that, to improve the MAS program, a top priority should be given to expeditiously and effectively automating MAS information. Doing so, they said, would facilitate comparison of products on the schedules and selection of the lowest overall cost alternative meeting the needs of the government. A well-designed automated system could facilitate product and price comparisons and assist requesters in defining their minimum requirements in terms of the information available on schedule products and services. A 1987 report funded by GSA recommended establishing an on-line data base for comparing MAS products and prices and concluded that the government probably was losing millions of dollars annually because such a system had not been established.¹

¹A Cost Comparison Study of the Federal Procurement and Supply Process. Coopers and Lybrand. April 3, 1987.

In January 1991, the GSA MAS Coordinator, who is responsible for identifying and reporting to the Administrator needed improvements in the GSA MAS program, established a task group of FSS and IRMS officials to pursue automation of the schedules and MAS contract information for schedule users. GSA officials stated that such automation would (1) make complete and current information on schedule items and prices readily available to customer agencies and (2) enable agencies to more quickly and easily compare and purchase products that represent the lowest-cost alternative and document their purchasing decisions. According to the MAS Coordinator, investment in the automation project offers a significant prospect for improving the MAS ordering process and saving time and money. However, GSA officials could not estimate dollar savings that might result from automation of the MAS schedules.

According to the MAS Coordinator, (1) timely implementation of the automation efforts is heavily dependent on vendors' cooperation in supplying necessary information in a standardized electronic format; (2) acquiring the needed hardware, software, and contractor programming and other support for automating the IRMS schedules information can be substantially completed by October 1994 at a projected cost of less than \$400,000; (3) GSA has not yet developed comparable cost estimates for automating the FSS schedules information; (4) additional time and funds may be needed for training and guidance on use of the system; and (5) GSA could not provide firm estimates of total automation project costs, resource requirements, or time frames for completion because the design requirements of the data base are still being developed.

GSA has not requested specific funds or staff for the automation project. Thus far, the project has been staffed and funded within existing resources. According to GSA, two IRMS staff members are working full-time and three FSS staff members are working part-time on the automation project.

**FAR Provisions Interpreted
as Not Requiring
Consideration of More
Than One Product**

Some procurement officials have misinterpreted the FAR part 8 schedule ordering provisions to mean that no requirement exists to compare similar MAS products and select the lowest-cost alternative meeting the agency's needs. In support of this position, the officials cited FAR 8.404(a) and (c), which state that (1) the contracting officer need not seek "further competition . . . when placing an order under an FSS schedule" and (2) "ordering offices shall not request formal or informal quotations from FSS contractors for the purpose of price comparisons." These provisions (1) mean that agency ordering offices should not duplicate the contracting

functions performed by GSA in the award of MAS contracts and (2) do not refer to the procedures in FAR 8.405 that ordering offices must follow when placing individual MAS orders.

Some procurement officials at the Naval Supply Center expressed the view that GSA has satisfied all statutory and regulatory requirements for competition through its solicitation, negotiation, and award of MAS contracts to specific suppliers and that, as a result, procurement offices could place orders for any product on the applicable MAS schedule without considering other MAS suppliers' products. Moreover, the procurement files for several Naval Supply Center MAS orders in our sample, in which the purchasing agent sought a price quote from only the supplier recommended by the requisitioner, contained copies of a 1988 Naval Supply Center management memorandum stating that GSA had already competed the schedule contracts, so no additional MAS suppliers needed to be considered.

Buyers at all the offices also told us that the wording of the FAR 8.4 schedule ordering provisions did not require contracting officers or buyers to (1) question requisitions for specific manufacturers' products or (2) compare other MAS suppliers' products and determine that these would not meet the requirement before placing an order with the MAS supplier recommended by a requisitioner. A procurement management official at the National Institutes of Health told us that such statements by agency buyers are "contrary to agency policy."

Agencies Have Not Established Effective MAS Management Practices

Management information about and attention to MAS procurements, whether as individual orders or as a specific source of supply, were extremely limited. Five of the six procurement offices reviewed did not have management data, criteria, and procedures to (1) analyze and plan whether MAS, or another procurement approach, would be most cost-effective in meeting the agency's future requirements for various commercial products and services or (2) identify fragmented requirements and order consolidation opportunities. None of the offices systematically reviewed orders for compliance with specific schedule and MAS contract ordering provisions. Moreover, GSA had not evaluated agencies' compliance with either the statutory and regulatory requirements for MAS purchases or the ordering provisions of specific schedules and MAS contracts. Also, agency evaluations of MAS orders have been limited. Our 1979 review of the FSS MAS program identified similar problems.

No Systematic Management Planning and Analysis of MAS Purchasing

FAR part 7 requires that agencies perform procurement planning for all procurements to ensure that the government meets its needs in the most cost-effective, economical, and timely manner. However, except at the National Institutes of Health, none of the procurement officials at the offices we reviewed (1) said they requested or had available procurement planning data on requesting offices' requirements and funding for commercial products and services or (2) had established criteria or procedures for determining whether one-at-a-time buys of particular items from the schedules would be more or less cost-effective than consolidated purchasing approaches, such as agency requirements contracts.

Likewise, with the exception of the National Institutes, none of the procurement offices systematically collected or analyzed MAS-specific procurement data or evaluated their MAS purchasing trends. As a result, procurement officials at five of the six offices we reviewed did not know most of the following: (1) the number and dollar volume of its MAS procurements; (2) the extent of compliance with MAS ordering procedures; (3) whether MAS procurements for specific commodities and services were concentrated among a few suppliers and the reasons for any such concentration; (4) whether requisitioners appropriately justified requests for specific manufacturers' products; (5) the extent to which recurring requirements for specific types of commodities and services were filled through MAS; (6) whether the offices received discounts included in some MAS contracts for large volume procurements; or (7) whether a significant dollar volume of its MAS procurements exceeded the \$25,000 threshold for small purchases.

The National Institutes established a procurement analysis branch several years ago to provide a centralized analytical approach to identifying potential consolidated acquisitions. Personnel review the procurement office's past purchasing trends, by commodity, and establish criteria and procedures for determining what the most cost-effective method of acquisition is under given circumstances. The commodity analyses are not limited to MAS purchasing, but some commodity analyses, such as those for copier supplies, have resulted in decisions to purchase exclusively through the MAS program based on the agency's long-term needs.

Requirements Not Screened for Fragmentation or Opportunities for Consolidation

FAR, FIRMR, and the Federal Property Management Regulation all state that agencies should not reduce or fragment requirements simply to avoid a maximum order limitation or the \$50,000 public notification threshold for IRMS schedule procurements, but should consolidate requirements whenever possible to take advantage of lower prices normally attainable through discounts on large volume buys or definite-quantity contracts² for quantities exceeding maximum order limitations.

At all six procurement offices, we found MAS orders that (1) were part of larger fragmented requirements or (2) could have been combined because they were issued on the same day or within several days to the same contractor. Officials at all of the procurement offices, except the Langley Research Center and the National Institutes, acknowledged that they did not systematically screen purchase requests to detect requirements that may have been fragmented. These officials also said (1) the data, criteria, and procedures needed to identify fragmented requirements and consolidation opportunities were not available; (2) procurement personnel lacked the time and guidance to evaluate purchase requests for fragmentation and consolidation; and (3) requirements fragmentation had not previously been identified as a prevalent problem and, in fact, may be necessary late in the fiscal year to ensure that purchases are made before funding authorization expires.

Procurement officials at all the agencies agreed that they normally expect to obtain lower prices than negotiated MAS prices for procurements exceeding the maximum order limitation by using non-MAS competitive solicitation procedures. These officials cited examples of savings ranging from 20 to 64 percent over the negotiated schedule prices for FIP products and services. They cautioned, however, that the time and costs associated with consolidating potential MAS purchases and planning and conducting open-market competitive procurements could often exceed any cost savings achieved and generally involved much more time and cost than considering all reasonably available MAS suppliers. They also stated that a decision to issue an open-market competitive solicitation should be based on a thorough analysis of the agency's requirements for specific items (including frequency, quantity, dollar value of purchases, location of users,

²A definite-quantity contract provides for delivery of a stated quantity of specific supplies or services for a fixed period, with deliveries to be scheduled at designated locations upon order.

price discounts through consolidation, product continuity among users, and available funds).³ According to the officials, none of the agencies or procurement offices we reviewed had performed such analyses or requested MAS procurement planning information from their requisitioning offices.

Moreover, some procurement officials said that, considering the time and administrative costs involved in preparing solicitations and conducting open-market procurements, it might be more cost-effective to avoid consolidating requirements and to tailor requirements to stay below maximum order limitations.⁴ The Internal Revenue Service, for example, estimated its administrative costs for preparing and processing a solicitation and awarding a contract for FIP items to be \$14,500, compared with a \$500 administrative cost to process a MAS order.

Limited Oversight of MAS Purchases by Procurement Offices

Management oversight of individual MAS orders at the procurement offices did not focus on whether the order had been placed with the lowest-cost alternative meeting the government's requirement. Rather, contracting officers at all six procurement offices said that (1) oversight generally consisted of checking the order form to ensure it had been filled out completely and (2) typically, this check did not include verifying the accuracy of the orders against the schedule ordering provisions or information in the contractors' catalogs and price lists.

Such limited oversight did not ensure that procurement personnel were placing MAS orders with the lowest-cost alternative. Our review showed that procurement personnel often either did not have or did not refer to the published schedules or contractor catalogs and price lists that FAR 8.403-2 states "must be used" to prepare MAS orders. Instead, personnel relied on information from requisitioners and a single or very limited number of MAS suppliers to assist them in filling out MAS orders and completing any other procurement file documentation. As illustrated in chapter 3, procurement personnel were often unfamiliar with the information in schedules and

³Federal agencies generally conduct open-market acquisitions to meet their needs valued at over \$25,000 by issuing solicitations and following other requirements for awarding contracts. (See FAR parts 6, 14, and 15.) Among other things, solicitations describe the desired functional, performance, or design specifications of the agency's need. Solicitations are distributed to vendors that express an interest in doing business with the government.

⁴See our previously cited report (GAO/NSIAD-92-88) for a more detailed discussion of agencies' administrative costs associated with open-market acquisitions of proposed IRMS schedule procurements.

contractors' catalogs and price lists, including applicable maximum order limitations, requote procedures, and the volume discounts some MAS suppliers offer.

Results of Agencies' Reviews of Their MAS Ordering Practices

Agency-level evaluations of procurement offices' MAS ordering practices have been infrequent and limited but have shown many of the same deficiencies we identified, including a lack of assurance that (1) orders the offices placed against MAS contracts resulted in the lowest overall cost alternative meeting the agency's needs and (2) procurements were planned and requirements consolidated to obtain lower prices, when appropriate.

For the four agencies we reviewed, we examined internal reports to determine the extent to which the agencies had evaluated MAS ordering practices. We also asked agency procurement executives of five other agencies with high dollar values of MAS procurement obligations in fiscal year 1990 to summarize their efforts to evaluate their agencies' MAS ordering practices.⁵

Of the nine agencies, only the Department of Defense had conducted any specific reviews focused entirely on agency ordering practices under MAS. Procurement officials of the other eight agencies said that they had not conducted any reviews focused specifically on MAS ordering practices, but had reviewed selected MAS procurements as part of their procurement management reviews, which typically cover all aspects of a procurement office's operations and are conducted every 2 to 4 years.

Except for the Department of Transportation, all of the agencies identified deficiencies in sampled MAS procurements that were part of their procurement management reviews. For example, in a 1986 report, the Department of Defense Inspector General reported that (1) contracting officers and requesters fragmented requirements to stay below MAS maximum order limitations; (2) contracting officers did not consolidate their orders when using FSS MAS contracts; and (3) procurement personnel did not comply with vendor selection procedures, mainly because of the time and effort involved in researching all the products and suppliers. The

⁵According to a GSA procurement data base, the nine agencies' fiscal year 1990 GSA schedule procurements totaled almost \$3 billion. The four agencies covered in our review (the Departments of Defense, Health and Human Services, and the Treasury, and the National Aeronautics and Space Administration) reported GSA schedule procurements totaling \$2.2 billion. The five additional agencies (the Departments of Veterans Affairs, Agriculture, Transportation, the Interior, and Justice) reported GSA schedule procurements totaling \$772 million.

Inspector General estimated that contracting officers selected the FSS suppliers with the lowest-priced items satisfying the office's needs for only \$10 million of \$74 million in MAS procurements reviewed and concluded that offices should consolidate requirements and use competitive solicitations when requirements exceed maximum order limitations. Among other things, the Inspector General recommended that GSA consider "providing [Department of Defense] contracting officers with automated means of researching the schedules" because it was too difficult and time-consuming to manually research all suppliers listed on FSS schedules and, therefore, the schedules were impractical to use.

The Internal Revenue Service, in a January 1991 report, said that 65 percent of 49 randomly selected MAS orders reviewed had missing or inadequate documentation related to the price reasonableness determination or selection of the lowest-cost alternative on the schedule. Moreover, 55 percent did not document any method of price comparisons for MAS procurements. The report also noted that some procurements were conducted on a sole-source basis without the required justifications.

Interior cited inadequate documentation in its MAS procurement files, including the lack of justifications for requests limited to the products of one manufacturer. Agriculture reported that its file documentation failed to show the agency purchased the lowest-priced MAS item meeting the agency's needs. Procurement management reviews conducted at the National Institutes of Health also showed problems with documentation of files and a failure to consolidate recurring requirements for the same items.

Procurement officials at the eight agencies that identified deficiencies in their MAS ordering said they had taken various corrective actions to address these problems, such as issuing written guidance on MAS ordering procedures and documentation of such purchases, providing training, and increasing MAS management oversight. In response to our preliminary findings, procurement officials at the remaining agency, Transportation, also stated that they planned to increase their management attention to MAS ordering practices.

Several of the agencies also cited benefits of ordering from MAS contracts. The Department of Defense Inspector General found that substantial price savings could be realized through the use of FSS schedules as opposed to using other competitive procurement procedures; for example, a May 1991 report states that price savings of 24 percent could have been obtained by using FSS schedules instead of small purchase procedures, with projected

annual savings of \$1.4 million.⁶ In a February 1986 study not limited to small purchases, the Department of Defense Inspector General documented that price savings of almost \$45,000 (15 percent) could have been obtained through use of FSS schedules, as opposed to other competitive procedures, to buy certain electronic equipment.⁷ Procurement officials at the other agencies also cited benefits of MAS ordering, including shortened procurement lead times and reasonable prices.

**GSA Does Not Evaluate or
Oversee Agencies' MAS
Implementation Practices**

GSA has not evaluated agencies' compliance with either the statutory and regulatory requirements for MAS purchases or the ordering provisions of specific schedules and MAS contracts. According to the Federal Property Management Regulation, GSA is responsible for general supervision of the MAS program.⁸ However, GSA officials have stated that GSA does not have either a specific statutory mandate or the resources to undertake major oversight and evaluation of other agencies' MAS procurement practices. The GSA MAS Coordinator told us that agency procurement officials, with the advice and assistance of their agencies' respective Inspector Generals or others, can best identify irregularities in the MAS ordering practices of their procurement offices and take quick and decisive corrective actions.

The GSA MAS Coordinator, however, said that the preliminary results of our review had shown that federal agencies were not reviewing schedule purchases with maximum effectiveness. Consequently, on July 30, 1991, the GSA Associate Administrator for Acquisition Policy issued a letter to senior procurement executives in all federal agencies requesting them to periodically review their agencies' MAS ordering practices. GSA offered to conduct these reviews if the agency did not have an established procurement review program appropriate to conduct an internal review. Attachments to the GSA letter included information on MAS ordering procedures and recommended procurement file documentation. However, GSA did not ask the agencies to complete the reviews within a specified

⁶Procurement of Medical Materiel and Equipment, Department of Defense Inspector General Report No. 91-085, May 30, 1991.

⁷Procurement of Repairable Items Used By More Than One Service, Department of Defense Inspector General Report No. 86-067, Feb. 18, 1986.

⁸The previously mentioned 1987 Coopers and Lybrand report concluded that the MAS program was the most uncontrolled and least managed of all GSA programs.

time frame or to report the results so that systemic problems could be identified and corrective actions taken.

**Problems in MAS
Procurement Management
Identified in Our Earlier
Report**

In a 1979 report on the FSS MAS program,⁹ we found that the agencies' views of the benefits of the MAS program were based more on how they actually used the program than on how the program was supposed to operate. The agencies' failure to evaluate all makes and models of a given product line made ordering from the MAS contracts administratively much easier than it otherwise would have been if agencies had attempted to select the lowest-priced products meeting their needs. We also reported that GSA needed to improve its negotiation methods to obtain better FSS MAS prices.

Agency procurement officials told us during that review that making adequate price comparisons among several functionally similar products was too time-consuming and difficult. They cited complex schedules, large numbers of similar products available, and inadequate distribution of the schedules and vendor price lists as key problems. As a result, we found that agencies made only limited attempts to make comparative price evaluations to ensure that the lowest-priced items meeting their needs were purchased.

We also reported that a requisitioner's personal preference for a particular product generally went unquestioned. Agency officials told us then that they relied on the intended users (requisitioners) to select the lowest-priced product meeting their needs because the users had the best knowledge of their needs and available funding.

As is the case today, GSA's position in 1979 was that it was not responsible for monitoring or enforcing agency compliance with federal procurement regulations. Moreover, GSA officials said that GSA's efforts to evaluate agencies' MAS ordering practices, such as whether agencies were purchasing products at a higher price and quality than necessary, would require a substantial increase in resources. Although GSA relied on each agency to ensure that the MAS program was being implemented properly, none of the agencies we reviewed at that time had conducted such evaluations.

⁹Ineffective Management of GSA's Multiple Award Schedule Program—A Costly, Serious, and Longstanding Problem (PSAD-79-71, May 2, 1979).

GSA officials stated that they have taken many actions since 1979 to improve agencies' MAS ordering procedures and practices. Among the most significant, according to GSA, are a rewrite of FIRMR to clarify the ordering procedures for FIP requirements and issuance of an FSS Program Guide. Other improvements cited by GSA included (1) revising FAR 8.4 in mid-1991, (2) increasing the line-item dollar threshold to \$2,500 for agency documentation of purchasing at other than the lowest price, (3) developing electronic product matrices for selected items so that agencies can identify products to meet their needs, (4) sponsoring MAS training classes, (5) issuing more detailed ordering instructions for MAS users and procurement information bulletins addressing specific MAS issues, and (6) using multiyear contracts.

In addition, GSA said a 1986 GAO report substantiated that FSS negotiated reasonable MAS contract prices that reflected the government's volume purchases.¹⁰ The report, which dealt only with GSA's negotiation of FSS contract prices, concluded that FSS negotiators obtained most favored customer prices or better in 15 of 20 MAS contracts reviewed, and in 4 of the remaining 5 contracts the negotiators justified less favorable prices within the parameters permitted by procurement regulations.

Conclusions

Agencies' MAS ordering practices generally have ignored the statutory requirement to select the lowest-cost items meeting the government's needs. Procurement officials said that extensive changes to their MAS procurement practices might not be practical or cost-effective. However, we believe that the agencies have endorsed the convenience of their own MAS procurement practices, without demonstrating either a commitment or the inability to effectively manage these procurements in accordance with statutory and regulatory requirements.

Many of the deficiencies in MAS purchasing practices we identified during this review had been identified earlier, often by the agencies themselves. For the most part, neither the agencies nor GSA has taken actions sufficient to correct these long-standing and basic problems—including a lack of management information, analysis, and attention to planning and overseeing MAS procurements to ensure that the government's needs for commercial products and services are met at the lowest overall cost.

¹⁰GSA Procurement: Are Prices Negotiated For Multiple Award Schedules Reasonable? (GAO/GGD-86-99BR, July 8, 1986).

The agencies could implement the MAS program more effectively by instituting sound management practices aimed at ensuring compliance with the statutory and regulatory requirements, identification of the government's legitimate requirements, appropriate consideration of alternative products and suppliers, and realization of savings by selecting the lowest overall cost alternative meeting the government's needs. Because evaluation reports of other departments and agencies indicated that the MAS program problems we identified were not confined to the six procurement offices discussed in detail, instituting these practices at all the major departments and agencies that use the MAS program would help accomplish these objectives on a governmentwide basis.

Procurement officials considered it an unreasonable administrative burden to require buyers to consider all suppliers that might be able to provide the needed item under MAS, particularly since many schedules have numerous suppliers offering many similar items. As a general practice, agencies have encouraged their buyers to solicit price quotations from three suppliers before placing MAS orders.

Our results show that agencies need to give more attention to the higher-value MAS orders, such as those exceeding \$25,000—which represent a large proportion of the MAS procurement dollars obligated, but relatively few of the total MAS transactions, and offer the greatest cost savings opportunities. We believe it is reasonable to have less stringent vendor consideration and selection requirements for MAS orders below this threshold. However, contrary to statutory provisions applicable to procurement in general, the use of more simplified procedures for MAS orders of \$25,000 or less is not authorized. Authorizing such simplified procedures would lessen the required administrative burden on procurement offices for most MAS purchases and recognize that these offices need to focus greater attention and resources on the higher-value MAS purchases.

Moreover, despite the broad consensus that expeditious and effective automation of MAS information should be a top priority for improving the MAS program, GSA has not developed and approved a comprehensive project plan to do so. In addition, GSA has made little effort to evaluate agencies' MAS management practices to ensure that agencies effectively implement the MAS program.

Clarifying FAR 8.404(a) and (c) and FAR 8.405-1 to emphasize the requirement that MAS orders be placed with the MAS supplier providing the

lowest delivered price or lowest overall cost would help ensure that procurement officials do not misinterpret these FAR provisions.

Recommendations

We recommend that the heads of the 12 federal departments and agencies accounting for most of the value of GSA MAS orders take actions to ensure that

- their procurement offices' practices for describing and accepting requests for MAS purchases under (1) FSS schedule contracts are consistent with the requirements of FAR 10.004(b)(2) and (2) IRMS schedule contracts conform to the requirements of FIRM 201-39.601;
- their procurement personnel consider all reasonably available suppliers meeting the agency's needs before placing FSS MAS orders exceeding \$25,000; and
- their procurement personnel clearly document in procurement files the offices' decisions regarding consideration of suppliers, selection of the contractors with which the MAS orders are placed, and procurement at the lowest overall cost or lowest delivered price.

To accomplish these objectives, federal department and agency heads may need to direct their staffs to institute one or more of the following: (1) provide training and guidance to procurement personnel and requisitioners on preparing, reviewing, and approving MAS purchase requests, with specific emphasis on requests limited to one manufacturer's product; (2) develop and implement MAS procurement file documentation procedures; and (3) periodically analyze MAS orders exceeding \$25,000 for compliance with statutory and regulatory requirements.

We also recommend that the heads of the 12 federal departments and agencies establish effective MAS management practices. At a minimum, these practices should include

- developing management data, criteria, and procedures to analyze and plan whether MAS, or another procurement approach, would be most cost-effective in meeting the agency's requirements for various commercial products and services;
- developing and implementing management criteria and procedures for reviewing incoming MAS purchase requests to detect order fragmentation and opportunities for requirements consolidation; and

- ensuring effective management oversight, reporting, and follow-up of their procurement offices' efforts to comply with the MAS ordering requirements discussed in this report.

We also recommend that the Administrator of General Services take the following actions:

- Develop and implement a comprehensive management plan to expeditiously and effectively automate MAS information for the purpose of facilitating comparison of products and services on the schedules and selection of the lowest overall cost alternative meeting the needs of the government.
- Establish deadlines for senior agency procurement executives to complete and report on the results of the GSA-requested reviews of their agency's MAS ordering practices. Using information from these reviews, GSA should identify recurring or systemic problems in agencies' MAS ordering practices and issue appropriate instructions and guidance to address these problems.

We also recommend that the Secretary of Defense and the Administrators of General Services, the National Aeronautics and Space Administration, and the Office of Federal Procurement Policy take action to ensure that FAR is revised to clarify that (1) FAR 8.404(a) and (c) do not eliminate the requirement for ordering offices to place orders with the schedule contractor offering the lowest delivered price available or the lowest overall cost meeting the government's minimum requirements and (2) FAR 8.405-1 does not relieve contracting officials of the requirement to consider all reasonably available suppliers that can meet the government's needs.

Matters for Congressional Consideration

The Congress may wish to consider revising procurement statutes to allow agency procurement offices to follow a less stringent standard, similar to that in FAR 13.106(b)(5), for MAS purchases below the small purchase threshold of \$25,000. This would require procurement officials to consider at least three MAS suppliers that could meet the government's needs for purchases below the small purchase threshold prior to placing a MAS order, in lieu of the existing requirement to place orders with the schedule contractor offering the lowest overall cost. The existing statutory standard should be retained for the higher dollar value MAS orders, and some of our recommendations call for better enforcement of that standard.

Data on Sample Files Reviewed at Six Procurement Offices

This appendix shows the breakdown by procurement office of data discussed in chapter 2. The six procurement offices are the Defense Supply Service-Washington (DSS), the Internal Revenue Service's National Office of Procurement Services (IRS), the National Aeronautics and Space Administration's Langley Research Center (LRC), the National Institutes of Health's Division of Procurement (NIH), the Naval Supply Center (NSC), and the Army Training and Doctrine Command Contracting Activity (TCA). For tables I.1 through I.8, the numbers and percentages are sample results; statistical estimates to the population are shown in footnotes accompanying each table. Sample files are broken down between Federal Supply Service (FSS) files and Information Resources Management Service (IRMS) files.

Table I.1: Orders That Cited One Manufacturer's Product in Purchase Description

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	13	0	12	18	18	2	63
One manufacturer's product requested	12	0	12	18	16	2	60^a
Percentage	92	0	100	100	89	100	95
IRMS files							
Number sampled	17	30	18	12	12	12	101
One manufacturer's product requested	15	22	16	12	12	9	86^b
Percentage	88	73	89	100	100	75	85
All files							
Number sampled	30	30	30	30	30	14	164
One manufacturer's product requested	27	22	28	30	28	11	146^c
Percentage	90	73	93	100	93	79	89

^aThese cases represent a projected 167 ± 26 of the 375 cases in the population ($45\% \pm 7\%$)

^bThese cases represent a projected 181 ± 26 of the 375 cases in the population ($48\% \pm 7\%$)

^cThese cases represent a projected 318 ± 9 of the 375 cases in the population ($93\% \pm 2\%$)

Appendix I
Data on Sample Files Reviewed at Six
Procurement Offices

Table I.2: Orders That Cited One Manufacturer's Product in Purchase Description but Did Not Describe the Product's Salients

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	12	0	12	18	16	2	60
One manufacturer's product requested, but salients not described	7	0	11	17	15	1	51 ^a
Percentage	58	0	92	94	94	50	85
IRMS files							
Number sampled	15	22	16	12	12	9	86
One manufacturer's product requested, but salients not described	14	16	12	7	10	6	65 ^b
Percentage	93	73	75	58	83	67	76
All files							
Number sampled	27	22	28	30	28	11	146
One manufacturer's product requested, but salients not described	21	16	23	24	25	7	116 ^c
Percentage	78	73	82	80	89	64	79

^aThese cases represent a projected 144 ± 26 of the 375 cases in the population (38% ± 7%).

^bThese cases represent a projected 135 ± 24 of the 375 cases in the population (36% ± 6%).

^cThese cases represent a projected 279 ± 22 of the 375 cases in the population (74% ± 6%).

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Table I.3: Orders That Cited One Manufacturer's Product in Purchase Description, Did Not Describe the Salients, and Provided No Justification

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	7	0	11	17	15	1	51
One manufacturer's product requested without description of salients or a justification	5	0	10	12	13	1	41^a
Percentage	71	0	91	71	87	100	80
IRMS files							
Number sampled	14	16	12	7	10	6	65
One manufacturer's product requested without description of salients or a justification	7	9	12	6	9	1	44^b
Percentage	50	56	100	86	90	17	68
All files							
Number sampled	21	16	23	24	25	7	116
One manufacturer's product requested without description of salients or a justification	12	9	22	18	22	2	85^c
Percentage	57	56	96	75	88	29	73

^aThese cases represent a projected 111 ± 25 of the 375 cases in the population (30% ± 7%).

^bThese cases represent a projected 98 ± 22 of the 375 cases in the population (26% ± 6%).

^cThese cases represent a projected 209 ± 26 of the 375 cases in the population (56% ± 7%).

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**Table I.4: Orders Showing That
Procurement Personnel Considered
Three or Fewer Suppliers**

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	12	0	12	18	16	2	60
Three or fewer suppliers considered	12	0	12	18	16	1	59 ^a
Percentage	100	0	100	100	100	50	98
IRMS files							
Number sampled	15	22	16	12	12	9	86
Three or fewer suppliers considered	13	15	14	11	10	9	72 ^b
Percentage	87	68	88	92	83	100	84
All files							
Number sampled	27	22	28	30	28	11	146
Three or fewer suppliers considered	25	15	26	29	26	10	131 ^c
Percentage	93	68	93	97	93	91	90

^aThese cases represent a projected 166 ± 26 of the 375 cases in the population (44% ± 7%)

^bThese cases represent a projected 156 ± 26 of the 375 cases in the population (42% ± 7%)

^cThese cases represent a projected 322 ± 14 of the 375 cases in the population (86% ± 4%)

**Table I.5: Orders Showing That
Procurement Personnel Considered
Only One Supplier**

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	12	0	12	18	16	2	60
Only one supplier considered	7	0	11	12	15	0	45 ^a
Percentage	58	0	92	67	94	0	75
IRMS files							
Number sampled	15	22	16	12	12	9	86
Only one supplier considered	9	10	5	6	10	7	47 ^b
Percentage	60	45	31	50	83	78	55
All files							
Number sampled	27	22	28	30	28	11	146
Only one supplier considered	16	10	16	18	25	7	92 ^c
Percentage	59	45	57	60	89	64	63

^aThese cases represent a projected 121 ± 25 of the 375 cases in the population (32% ± 7%)

^bThese cases represent a projected 95 ± 22 of the 375 cases in the population (25% ± 6%)

^cThese cases represent a projected 217 ± 26 of the 375 cases in the population (58% ± 7%)

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Table I.6: Orders Showing One Manufacturer's Product in Purchase Description, More Than One Supplier Considered by Procurement Personnel, but Only One Price Quote

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	5	0	1	6	1	2	15
One manufacturer's product requested and multiple suppliers considered, but only one quote obtained	2	0	1	6	0	1	10^a
Percentage	40	0	100	100	0	50	67
IRMS files							
Number sampled	6	12	11	6	2	2	39
One manufacturer's product requested and multiple suppliers considered, but only one quote obtained	1	1	4	3	0	1	10^b
Percentage	17	8	36	50	0	50	26
All files							
Number sampled	11	12	12	12	3	4	54
One manufacturer's product requested and multiple suppliers considered, but only one quote obtained	3	1	5	9	0	2	20^c
Percentage	27	8	42	75	0	50	37

^aThese cases represent a projected 35 ± 18 of the 375 cases in the population (9% ± 5%).

^bThese cases represent a projected 27 ± 15 of the 375 cases in the population (7% ± 4%).

^cThese cases represent a projected 63 ± 22 of the 375 cases in the population (17% ± 6%).

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Table I.7: Orders Showing One Manufacturer's Product in Purchase Description, One Supplier Suggested, and the Order Placed With That Supplier

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	12	0	12	18	16	2	60
One manufacturer's product requested, one supplier suggested, and order placed with that supplier	8	0	12	14	16	2	52^a
Percentage	67	0	100	78	100	100	87
IRMS files							
Number sampled	15	22	16	12	12	9	86
One manufacturer's product requested, one supplier suggested, and order placed with that supplier	10	13	16	7	11	8	65^b
Percentage	67	59	100	58	92	89	76
All files							
Number sampled	27	22	28	30	28	11	146
One manufacturer's product requested, one supplier suggested, and order placed with that supplier	18	13	28	21	27	10	117^c
Percentage	67	59	100	70	96	91	80

^aThese cases represent a projected 139 ± 26 of the 375 cases in the population (37% ± 7%)

^bThese cases represent a projected 134 ± 24 of the 375 cases in the population (36% ± 6%)

^cThese cases represent a projected 272 ± 23 of the 375 cases in the population (73% ± 6%)

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Table I.8: Orders Without Documentation That All Suppliers Meeting the Government's Needs Were Considered

	DSS	IRS	LRC	NIH	NSC	TCA	Total
FSS files							
Number sampled	13	0	12	18	18	2	63
No documentation that all suppliers were considered	10	0	9	16	15	1	51 ^a
Percentage	77	0	75	89	83	50	81
IRMS files							
Number sampled	17	30	18	12	12	12	101
No documentation that all suppliers were considered	9	9	12	6	6	7	49 ^b
Percentage	53	30	67	50	50	58	49
All files							
Number sampled	30	30	30	30	30	14	164
No documentation that all suppliers were considered	19	9	21	22	21	8	100 ^c
Percentage	63	30	70	73	70	57	61

^aThese cases represent a projected 143 ± 26 of the 375 cases in the population (38% ± 7%)

^bThese cases represent a projected 104 ± 23 of the 375 cases in the population (28% ± 6%)

^cThese cases represent a projected 248 ± 24 of the 375 cases in the population (66% ± 6%)

Table I.9: Sampling Error Rates of the 375 Cases in the Population for Table 2.1

Documentation in file	Number	Percentage
Procurement office considered all MAS contractors	12 ± 9	10 ± 7
Results of the market survey performed	6 ± 6	5 ± 4.5
Synopsis in the <u>Commerce Business Daily</u> (only)	44 ± 13	35 ± 10
Justification for other than full and open competition (only)	28 ± 11	22 ± 9
Both a justification and a synopsis in the <u>Commerce Business Daily</u>	22 ± 7	17 ± 5
Other documentation	14 ± 10	11 ± 8
Total	127 ± 24	34 ± 6

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**Table I.10: Sampling Error Rates of the
375 Cases in the Population for Table 2.2**

Description	Number	Percentage
The procurement office selected the lowest quoted price of the sources considered (almost always no more than three and usually fewer).	131 ± 24	35 ± 6
The lowest quoted price was not selected, and it was unclear how or why the contractor that received the order was selected.	80 ± 23	21 ± 6
Only one price was documented (the file did not contain a justification for other than full and open competition).	62 ± 14	17 ± 4
We found some type of documentation indicating that the purchase was made at the lowest delivered price or lowest overall cost. (However, such documentation was often questionable.)	97 ± 22	26 ± 6

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