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CONTRACTING STRATEGIES

Better Data and Management Needed to Leverage Value of Interagency and Enterprisewide Contracts

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CONTRACTING STRATEGIES

Better Data and Management Needed to Leverage Value of Interagency and Enterprisewide Contracts

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Highlights

Highlights of GAO-10-862T, a testimony before the Subcommittee on Contracting Oversight, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Agencies can use several different types of contracts to leverage the government's buying power for goods and services. These include interagency contracts—where one agency uses another's contract for its own needs—such as the General Services Administration (GSA) and the Department of Veterans Affairs multiple award schedule (MAS) contracts, multiagency contracts (MAC) for a wide range of goods and services, and governmentwide acquisition contracts (GWAC) for information technology. Agencies spent at least $60 billion in fiscal year 2008 through these contracts and similar single-agency enterprisewide contracts.

GAO was asked to testify on the management and oversight of interagency contracts, and how the government can ensure that interagency contracting is efficient and transparent. GAO's testimony is based on its recent report, *Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts* (GAO-10-367, April 2010). In that report, GAO made recommendations to the Office of Management and Budget (OMB) to strengthen policy, improve data, and better coordinate agencies' awards of MACs and enterprisewide contracts, and to GSA to improve MAS program pricing and management. Both agencies concurred with GAO's recommendations.

View GAO-10-862T or key components.
For more information, contact John Needham at (202) 512-4841 or needhamjk1@gao.gov.

What GAO Found

Interagency and enterprisewide contracts should provide an advantage to government agencies when buying billions of dollars worth of goods and services, yet OMB and agencies lack reliable and comprehensive data to effectively leverage, manage, and oversee these contracts. More specifically, the total number of MACs and enterprisewide contracts currently approved and in use by agencies is unknown because the federal government's official procurement database is not sufficient or reliable for identifying these contracts. Departments and agencies cite a variety of reasons to establish, justify, and use their own MACs and enterprisewide contracts rather than use other established interagency contracts—reasons that include avoiding fees paid for the use of other agencies' contracts, gaining more control over procurements made by organizational components, and allowing for the use of cost reimbursement contracts. However, concerns remain about contract duplication—under these conditions, many of the same vendors provided similar products and services on multiple contracts, which increases costs to both the vendor and the government and can result in missed opportunities to leverage the government's buying power. Furthermore, limited governmentwide policy is in place for establishing and overseeing MACs and enterprisewide contracts. Recent legislation and OMB's Office of Federal Procurement Policy initiatives are expected to strengthen oversight and management of MACs, but no initiatives are underway to strengthen approval and oversight of enterprisewide contracts.

GSA faces a number of challenges in effectively managing the MAS program, the federal government's largest interagency contracting program. GSA lacks data on orders placed under MAS contracts that it could use to help determine how well the MAS program meets its customers' needs and help its customers obtain the best prices in using MAS contracts. In addition, GSA makes limited use of selected pricing tools, such as pre-award audits of MAS contracts, which make it difficult for GSA to determine whether the program achieves its goal of obtaining the best prices for customers and taxpayers. In 2008, GSA established a program office with broad responsibility for MAS program policy and strategy, but the program continues to operate under a decentralized management structure that some program stakeholders are concerned has impaired the consistent implementation of policies across the program and the sharing of information among the business portfolios. In addition, performance measures were inconsistent across the GSA organizations that manage MAS contracts, including inconsistent emphasis on pricing, making it difficult to have a programwide perspective of MAS program performance. Finally, GSA's MAS customer satisfaction survey has had a response rate of 1 percent or less in recent years that limits its utility as a means for evaluating program performance.

Madam Chairman and Members of the Subcommittee:

I am pleased to be here to discuss the management and oversight of contracts designed to leverage the government's buying power when acquiring commercial goods and services. To address these issues, I will discuss our recent report that addressed the need for better data and management to effectively oversee the awarding and use of interagency and enterprisewide contracts. Collectively, federal agencies used these types of contracts to buy at least $60 billion in goods and services during fiscal year 2008. When managed properly, interagency contracting—a process by which one agency uses another agency's contract directly or obtains contracting support services from another agency—can provide several benefits for federal agencies. These include the ability to leverage the government's aggregate buying power for commercial goods and services and provide a simplified and expedited procurement method. Enterprisewide contracts, although not interagency contracts, are also intended to leverage a particular agency's buying power and appear to have become more popular in recent years according to procurement officials, as internal purchasing programs established within a federal department or agency to acquire goods and services. Benefits of enterprisewide contracts can include the ability to reduce contracting administrative overhead within an agency and provide information on agency spending.

To realize the benefits of using interagency contracts—including the multiple award schedule (MAS) program, multiagency contracts (MACs), and governmentwide acquisition programs (GWACs)—as well as single-agency enterprisewide contracts, the government will have to take steps to address identified shortcomings in the management of and amount of data available on both interagency and enterprisewide contracts that currently make it difficult to determine whether they are being used in an efficient and effective manner. A basic problem is the lack of data about the number and sponsors of both MACs and enterprisewide contracts. Given that there has been renewed focus on maximizing efficiencies in the procurement process to achieve cost savings, we believe the federal government will continue to miss opportunities to leverage its vast purchasing power when buying commercial goods and services unless it takes steps to improve the management and oversight of these contracts.

In response to this Subcommittee's interest in improving the use of these contracts, I will draw primarily on our recent report to discuss (1) issues related to transparency and the framework for managing GWACs, MACs,

and enterprisewide contracts, and (2) management and pricing issues associated specifically with the MAS program.[1]

We conducted this work at the Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget (OMB), which has governmentwide procurement policy responsibility. We also conducted work at six federal agencies including the General Services Administration (GSA), the Department of Defense (DOD), including the three military departments, Department of Health and Human Services, Department of Homeland Security (DHS), Department of Veterans Affairs (VA), and the National Aeronautics and Space Administration (NASA). We also met with Senior Procurement Executives or their representiaves from these agencies, 16 vendors that have been awarded these contracts, and 17 contracting officers from a number of the agencies in our review to obtain their perspectives on interagency and enterprisewide contracts. The report that formed the basis for this statement was prepared in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The largest of the interagency contracting vehicles is the MAS program (also known as the Federal Supply Schedule or the schedules program).[2] GSA directs and manages the MAS program.[3] MACs and GWACs are also

[1] GAO, *Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts*, GAO-10-367 (Washington, D.C.: Apr. 29, 2010).

[2]MAS means contracts awarded by the General Services Administration or the Department of Veterans Affairs for similar or comparable goods or services, established with more than one supplier, at varying prices. Federal Acquisition Regulation (FAR) § 8.401.

[3]The Department of Veterans Affairs operates schedules for medical supplies and services. VA operates its portion of the schedules program under a delegation authority from GSA. Although GSA has delegated to VA the authority to contract for medical supplies and services under various MAS, GSA has not delegated to VA the authority to prescribe the policies and procedures that govern the MAS program.

interagency contracts.[4] Government buyers usually pay a fee for using other agencies' GWACs, MACs, and schedule contracts. These fees are usually a percentage of the value of the procurement, which are paid to the sponsoring agency and are expected to cover the costs of administering the contract.

Along with using interagency contracts to leverage their buying power, a number of large departments—DOD and DHS in particular—are turning to enterprisewide contracts as well to acquire goods and services. Enterprisewide contracts are similar to interagency contracts in that they can leverage the purchasing power of the federal agency but generally do not allow purchases from the contract outside of the original acquiring activity.

Enterprisewide contracting programs can be used to reduce contracting administrative overhead, provide information on agency spending, support strategic sourcing initiatives, and avoid the fees charged for using interagency contracts.

All of these contracts are indefinite delivery/indefinite quantity (ID/IQ) contracts. ID/IQ contracts are established to buy goods and services when the exact times and exact quantities of future deliveries are not known at the time of award. Once the times and quantities are known, agencies place task and delivery orders against the contracts for goods and services.

In fiscal year 2008, federal agencies spent at least $60 billion through GWACs, MACs, the MAS program, and enterprisewide contracts to buy goods and services to support their operations:

- about $46.8 billion was spent on the MAS program;
- about $5.3 billion was spent on GWACs;

[4]MACs are task-order or delivery-order contracts established by an agency that can be used for governmentwide use to obtain goods and services, consistent with the Economy Act. FAR § 2.101. GWACs are considered multiagency contracts but, unlike other multiagency contracts, are not subject to the same requirements and limitations, such as documenting that the contract is in the best interest of the government, set forth under the Economy Act. The Clinger-Cohen Act of 1996 authorized GWACs to be used to buy information technology goods and services. 40 U.S.C. § 11314(a)(2). They are task or delivery-order contracts established by one agency that can be used for governmentwide use that are operated by an executive agent designated by the Office of Management and Budget. FAR § 2.101.

- at least $2.5 billion was spent on MACs although the actual amount could be much higher;[5] and
- at least $4.8 billion was spent on the three enterprisewide contracts we reviewed, although, like MACs, the actual amount spent on all enterprisewide contracts could be higher.[6]

Sales under the MAS program have been relatively flat in recent years, and obligations under GWACs have declined slightly in recent years. However, the total amount of money spent in fiscal year 2008 using the three enterprisewide contracting programs included in our review is approaching the amount spent for GWACs during the same period.[7] In addition, as OMB recently reported, numerous agencies are planning to increase their use of enterprisewide contracts as a means of addressing the administration's goal of reducing the amount agencies spend on contracting by 7 percent through fiscal year 2011.

Nevertheless, GSA's MAS program is still the primary governmentwide buying program aimed at helping the federal government leverage its significant buying power when buying commercial goods and services. As the largest interagency contracting program, the MAS program provides advantages to both federal agencies and vendors.[8] Agencies, using the simplified methods of procurement of the schedules, can avoid the time, expenditures, and administrative costs of other methods. And vendors receive wider exposure for their commercial products and expend less effort in selling these products.

[5] The four MAC programs in our review had obligations totaling $2.5 billion in fiscal year 2008.

[6] The three enterprisewide contract programs in our review had obligations totaling $4.8 billion in fiscal year 2008.

[7] These significant enterprisewide contracting programs are DHS's Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE) and FirstSource programs and the Department of the Navy's SeaPort Enhanced program. EAGLE and FirstSource provide contracts with 64 vendors for information technology services and commodities, respectively, for the 16 components that make up DHS and obligated over $1.2 billion in fiscal year 2008. The Department of the Navy's SeaPort Enhanced program provides contracts for procuring engineering, technical, programmatic, and professional support services. The program had contracts with over 1,800 vendors and obligated almost $3.6 billion in fiscal year 2008.

[8] While GSA, in its regulations uses the term "offeror," for purposes of this testimony we use the term "vendor."

A Lack of Transparency and Limited Governmentwide Policy May Result in Duplication and Inefficient Contracting

Interagency and enterprisewide contracts should provide an advantage to government agencies when buying billions of dollars worth of goods and services, yet OMB and agencies lack reliable and comprehensive data to effectively leverage, manage, and oversee these contracts. More specifically,

- The total number of MACs and enterprisewide contracts currently approved and in use by agencies is unknown because the federal government's official procurement database is not sufficient or reliable for identifying these contracts,
- Departments and agencies cite a variety of reasons to establish, justify, and use their own MACs and enterprisewide contracts rather than use other established interagency contracts—reasons that include avoiding fees paid for the use of other agencies' contracts, gaining more control over procurements made by organizational components, and allowing for the use of cost reimbursement contracts,
- Concerns remain about contract duplication—vendors and agency officials expressed concerns about duplication of effort among these contracts, and in our review we found many of the same vendors provided similar products and services on many different contract vehicles. This could be resulting in duplication of products and services being offered, increased costs to both the vendor and the government, and missed opportunities to leverage the government's buying power,
- Limited governmentwide policy is in place for establishing and overseeing MACs and enterprisewide contracts.

Recent legislation and OFPP initiatives are expected to strengthen oversight and management of MACs, but no similar initiatives are underway to strengthen oversight of enterprisewide contracts. In April 2010, we made five recommendations to OMB to improve data, strengthen policy, and better coordinate agencies' awards of MACs and enterprisewide contracts, and OMB concurred with all of our recommendations.

The Identification and Use of MACs and Enterprisewide Contracts Is Unknown

Prior attempts by the acquisition community to identify interagency and enterprisewide contracts have not resulted in a reliable database useful for identifying or providing governmentwide oversight on those contracts. In 2006, OFPP started the Interagency Contracting Data Collection Initiative to identify and list the available GWACs, MACs, and enterprisewide contracts. However, the initiative was a one-time effort and has not been updated since. In conducting our review, we were not able to identify the universe of MACs and enterprisewide contracts because the data available

in the official government contracting data system, the Federal Procurement Data System-Next Generation (FPDS-NG), were insufficient and unreliable. For instance, FPDS-NG includes a data field that is intended to identify GWACs but we found a number of instances where known GWACs were coded incorrectly. We also searched the system by contract number for MACs that we were aware of and found similar issues, with some contracts coded properly as MACs and some not. Despite its critical role, we have consistently reported on problems with FPDS-NG data quality over a number of years.[9]

Most of the senior procurement executives, acquisition officials, and vendors we spoke with as part of our review believed a publicly available source of information on these contracts is necessary. For example, senior procurement executives from DHS and DOD stressed the usefulness of a governmentwide clearinghouse of information on existing contracts. Agency officials we spoke with said that if agencies could easily find an existing contract, which they cannot do, they would avoid unnecessary administrative time to enter into a new contract, which they said could be significant. The report of the Acquisition Advisory Panel—often referred to as the SARA panel[10]— previously noted some of these concerns, stating that too many choices without information related to the performance and management of these contracts make the cost-benefit analysis and market research needed to select an appropriate acquisition vehicle impossible.[11]

[9] We have previously reported on data reliability issues with FPDS-NG. See, e.g., GAO, *Federal Contracting: Observations on the Government's Contracting Data Systems*, GAO-09-1032T (Washington, D.C.: Sept. 29, 2009); *Contract Management: Minimal Compliance with New Safeguards for Time-and-Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program*, GAO-09-579 (Washington, D.C.: June 24, 2009); *Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State*, GAO-08-578 (Washington, D.C.: May 8, 2008); *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, GAO-08-263 (Washington, D.C.: April 22, 2008).

[10] The panel was established by Section 1423 of the Services Acquisition Reform Act of 2003, which was enacted as part of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. No. 108-136), (2003). The statute tasked the panel, among other things, to review governmentwide policies regarding the use of governmentwide contracts.

[11] *Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress* (Washington, D.C.: January 2007).

Recommendations to OFPP

To improve the transparency of and data available on these contracts, we made three recommendations to OFPP:

1. Survey departments and agencies to update its 2006 data collection initiative to identify the universe of MACs and enterprisewide contracts in use and assess their utility for maximizing procurement resources across agencies.
2. Ensure that departments and agencies use the survey data to accurately record these contracts in FPDS-NG.
3. Assess the feasibility of establishing and maintaining a centralized database to provide sufficient information on GWACs, MACs, and enterprisewide contracts for contracting officers to use to conduct market research and make informed decisions on the availability of using existing contracts to meet agencies' requirements.

Departments and Agencies Cite a Variety of Reasons for Establishing New MACs and Enterprisewide Contracts

Agencies cited several reasons for establishing their own MACs and enterprisewide contracts including cost avoidance through lower prices, fewer fees compared to other vehicles, mission specific requirements, and better control over the management of contracts. For example:

- The Army cited several reasons for establishing their MACs for information technology hardware and services in 2005 and 2006. The Army wanted to standardize its information technology contracts so each contract would include the required Army and DOD security parameters. According to the Army, GSA contracts do not automatically include these security requirements and using a GSA contract would require adding these terms to every order. The Army also cited timeliness concerns with GSA contracts and GSA fees as reasons for establishing their own contracting vehicles.
- In 2005, DHS established the EAGLE and FirstSource contracting programs. Both involve enterprisewide contracts used for information technology products and services. Officials stated the main reason these programs were established was to avoid the fees associated with using other contract vehicles and save money through volume pricing. In addition, the programs centralized procurements for a wide array of mission needs among DHS' many agencies. Furthermore, DHS officials stated they wanted to be able to coordinate the people managing the contracts, which did not happen when using GSA contracts.

Concerns Exist About Contract Duplication

We found the same vendors on many different contract vehicles providing information technology goods or services, which may be resulting in duplication of goods and services being offered. Table 1 below shows that

the top 10 GWAC vendors, based on sales to the government, offer their goods and services on a variety of government contracts that all provide information technology goods and services. For example, of the 13 different contract vehicles listed in Table 1, 5 of the 10 vendors were on 10 or more of these.

Table 1: Top 10 GWAC Vendors on GWACs, MAS, MACs, and Enterprisewide Contracts

	Vendors									
Type of contract by agency or military department	1	2	3	4	5	6	7	8	9	10
Selected GWACs										
General Services Administration										
Alliant. Designed to provide information technology solutions to federal agencies.	X	X	X	X		X	X	X	X	
Applications'N Support for Widely-diverse End-user Requirements (ANSWER). Expired. Can support an array of information technology services.	X	X	X				X	X	X	
Millennia. Provides information technology support for large system integration and development. Expired.	X		X	X		X	X		X	
Millennia Lite. Provides information technology solutions.	X	X	X	X		X	X	X		
National Aeronautics and Space Administration										
Scientific and Engineering Workstation Procurement (SEWP). Provides information technology products.					X					X
National Institutes of Health, Department of Health and Human Services										
Chief Information Officer-Solutions and Partner 2 innovations (CIO-SP2i). Provides wide range of information technology products, services, and solutions.	X	X	X	X		X	X	X	X	
Electronic Commodities Store III (ECS III). Offers computer hardware and software.		X			X					X
General Services Administration Multiple Award Schedules										
Information Technology	X	X	X	X	X	X	X	X	X	X
Selected MACs										
Army										
Information Technology Enterprise Solutions-2 (ITES-2). Provides information technology service solutions and the purchase or lease of hardware.	X	X	X	X	X		X	X	X	X
Defense Information Systems Agency										
ENCORE II. Provides information technology requirements.	X		X	X		X	X	X	X	
Department of Treasury										
Total Information Processing Support Services (TIPSS-3). Provides a broad range of information technology services.	X	X	X	X			X		X	
Selected enterprisewide contracts										
Department of Homeland Security										
Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE). Provides information technology service solutions.	X	X	X	X		X	X	X	X	
Department of Justice										
Information Technology Support Services-3 (ITSS-3). Procurement of information technology services.	X	X		X		X	X			
Total	**11**	**10**	**10**	**10**	**4**	**8**	**11**	**8**	**9**	**4**

Source: GAO analysis of vendors' and agencies' data.

Vendors and agency officials we met with expressed concerns about duplication of effort among the MACs, GWACs, and enterprisewide contracts across government. A number of vendors we spoke with told us they offer similar products and services on multiple contract vehicles and that the effort required to be on multiple contracts results in extra costs to the vendor, which they pass to the government through the prices they offer. The vendors stated that the additional cost of being on multiple contract vehicles ranged from $10,000 to $1,000,000 due to increased bid and proposal and administrative costs.

Interestingly, we found one vendor offering the exact same goods and services on both their GSA schedule and the NASA's GWAC and offering lower prices on the GWAC. Another vendor stated that getting on multiple contract vehicles can be cost-prohibitive for small businesses and forces them to not bid on a proposal or to collaborate with a larger business in order to be on a contract vehicle.

Government procurement officials expressed additional concerns. For example, an official from OFPP has stated that such duplication of effort only complicates the problem of an already strained acquisition workforce. The GSA Federal Acquisition Service Deputy Commissioner stated that while the agencies cite GSA fees as a reason for creating their own vehicles, agencies fail to consider the duplication of effort and cost of doing these procurements.

Governmentwide Policy on MACs and Enterprisewide Contracts Is Limited

Federal agencies operate with limited governmentwide policy that addresses the establishment and use of MACs and enterprisewide contracts. Federal regulations generally provide that an agency should consider existing contracts to determine if they might meet its needs.[12] The six federal agencies and the three military departments we reviewed have policies that require approval and review for acquisition planning involving large dollar amount contracts which would generally include the establishment of MACs and enterprisewide contracts. The review process varies from agency to agency. For example, an official from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics told us that any new DOD contract estimated at over $100 million would be required to go through a review process to ensure that no other contract exists that could fulfill the new requirement. As another example,

[12] FAR § 7.105.

DHS requires that the senior procurement executive approve the establishment of each enterprisewide contract.

In contrast, GWAC creation and management have governmentwide oversight, as OFPP exercises statutory approval authority regarding establishment of a GWAC. The senior procurement executives we spoke with had mixed views on the proper role of OFPP in providing clarification and oversight to agencies establishing their own contract vehicles. For example, Army senior acquisition officials representing the senior procurement official told us that the policy on interagency contracting is not cohesive. In their view, OFPP should provide policy and guidance that agencies would be required to follow. In contrast, the Senior Procurement Executive for the Department of the Navy pointed to agency-specific circumstances or requirements that create uncertainty about the utility of broad OFPP guidance.

Furthermore, agencies have issued guidance encouraging the use of enterprisewide contracts rather than using interagency contracts. For example, DOD guidance advises that contracting officers consider the use of internal DOD contract vehicles to satisfy requirements for services prior to placing an order against another agency's contract vehicle. Moreover, OMB recently reported that 20 of the 24 largest procuring activities are planning on reducing procurement spending by using enterprise contracting to leverage their buying power, as part of the administration's goal of reducing contract spending by 7 percent over the next 2 years.[13]

Recommendation to OFPP

To provide a more coordinated approach in awarding MACs and enterprisewide contracts, we recommended that OFPP take steps to establish a policy and procedural framework in conjunction with agencies for establishing, approving, and reporting on new MACs and enterprisewide contracts on an ongoing basis. The framework should stress the need for a consistent approach to leveraging governmentwide buying power while allowing agencies to continue to use their statutory authorities for buying goods and services.

[13] Office of Management and Budget, *Acquisition and Contracting Improvement Plans and Pilots: Saving Money and Improving Government* (Washington, D.C.: December 2009).

Legislation Requires a Business Case Analysis for MACs, but Does Not Address Enterprisewide Contracts

Recent legislation and OFPP initiatives are expected to strengthen oversight and management of MACs, but these initiatives do not address enterprisewide contracts. The 2009 National Defense Authorization Act required, 1 year after its enactment, that the FAR be amended to require that any MAC entered into by an executive agency after the amendment's effective date be supported by a business case analysis.[14] The business case is to include an analysis of all direct and indirect costs to the federal government of awarding and administering a contract and the impact it would have on the ability of the federal government to leverage its buying power. However, the Act is silent on what steps an agency should take to examine the effect a new contract will have on the ability of the government to leverage its buying power. Additionally, the Act does not address similar requirements for enterprisewide contracts. Under the Act, the pending FAR rule relating to this legislation was required to be issued by October 15, 2009; however, the rule was still in progress as of June 11, 2010.

A business case analysis approach for MACs has the potential to provide a consistent governmentwide approach to awarding MACs as was pointed out by the SARA panel. The panel noted that the OFPP review and approval process for GWACs could serve as a good business model for approving MACs. Using the GWAC process as a model, the full business case analysis as described by the SARA panel would need to include measures to track direct and indirect costs associated with operating a MAC. It would also include a discussion about the purpose and scope, and the amount and source of demand. Further, the business case would need to identify the benefit to the government along with metrics to measure this benefit.

Recommendation to OFPP

We recommended that as OFPP develops the pending FAR rule to implement the business case analysis requirement above, it ensures that departments and agencies complete a comprehensive business case analysis as described by the SARA panel, and include a requirement to address potential duplication with existing contracts, before new MACs and enterprisewide contracts are established.

[14] Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417 § 865 (2008).

Management and Pricing Issues Hinder MAS Program Effectiveness

Our work identified a number of challenges GSA faces in effectively managing the MAS program, the federal government's largest interagency contracting program. More specifically, GSA

- Lacks transactional data about its customers' use of MAS contracts, which would provide GSA insight to facilitate more effective management of the program;
- Makes limited use of selected pricing tools that make it difficult for GSA to determine whether the program achieves its goal of obtaining the best prices for customers and taxpayers;
- Uses a decentralized management structure for the MAS program in conjunction with deficient program assessment tools, which create obstacles for effective program management.

In April 2010, we made a number of recommendations to GSA to improve MAS program management and pricing, with which GSA concurred.

GSA Needs Transactional Data to Strategically Manage MAS Contracts and Negotiate Pricing

GSA lacks data about the use of the MAS program by customer agencies that it could use to determine how well the MAS program meets its customers' needs and to help its customers obtain the best prices in using MAS contracts. GSA officials told us that because agency customers generally bypass GSA and place their orders directly with MAS vendors, they lack data on the orders placed under MAS contracts; as a result, GSA also lacks data on the actual prices paid relative to the MAS contract prices. While GSA does have a spend analysis reporting tool through its GSA Advantage system that provides agencies with sales and statistical data on their orders, it accounts for a very small percentage of overall MAS program sales, thus restricting the amount of data available.

There are two drawbacks to the lack of available transactional data on the goods and services ordered under the MAS program and the prices paid:

The lack of data hinders GSA's ability to evaluate program performance and manage the program strategically. Several GSA officials acknowledged that it is difficult for GSA to know whether the MAS program meets their customers' needs without data on who uses MAS contracts and what they are buying. The GSA Inspector General has recommended that GSA take steps to collect these data to use in evaluating customer buying patterns and competition at the order level in order to adopt a more strategic

management approach.[15] We have made similar observations in prior reports going back several decades.[16]

The lack of data could limit the ability of GSA and its customers to achieve the best prices through the MAS program. Some GSA officials informed us that they could possibly use transactional data to negotiate better prices on MAS contracts. Several agency contracting officers we spoke with cited benefits of having additional transactional data on MAS orders to improve their negotiating position when buying goods and services, and increasing visibility over the purchases their respective agency makes. In addition, a number of the senior acquisition officials at agencies in our review said that they considered the prices on MAS contracts to be too high, and without additional data from GSA, it was difficult to see the value in the MAS program and the prices that GSA negotiates.

GSA officials told us that they have initiated a process improvement initiative to collect more transactional data in the future, as they make improvements to information systems that support the MAS program. However, this initiative is currently in its early stages.

Recommendation to GSA

We recommended that GSA take steps to collect transactional data on MAS orders and prices paid and provide this information to contract negotiators and customer agencies, potentially through the expanded use of existing electronic tools or through a pilot data collection initiative for selected schedules.

GSA Makes Limited Use of Selected Pricing Tools

GSA uses several tools and controls in the contract award and administration process to obtain and maintain best prices for its contracts. These tools include:

- pre-award audits of MAS contracts by the GSA Inspector General,
- clearance panel reviews of contract negotiation objectives, and
- Procurement Management Reviews.

[15]General Services Administration Office of Inspector General, *Review of Multiple Award Schedule Program Contract Workload Management* (Kansas City, Mo.: July 31, 2007).

[16]GAO, *Management of Federal Supply Service Procurement Programs Can Be Improved*, GAO/PSAD-75-32 (Washington, D.C.: Dec. 31, 1974); and *Ineffective Management of GSA's Multiple Award Schedule Program—A Costly, Serious, and Longstanding Problem*, GAO/PSAD-79-71 (Washington, D.C.: May 2, 1979).

However, it applies these tools to a small number of contracts, which hinders GSA's ability to determine whether it achieves the program's goal of obtaining best prices.

For example, the GSA Inspector General performs pre-award audits of MAS contracts, which enable contract negotiators to verify that vendor-supplied pricing information is accurate, complete, and current before contract award. These audits can also result in lower prices for MAS customers by identifying opportunities for GSA to negotiate more favorable price discounts prior to award. From fiscal year 2004 through 2008, the GSA Inspector General identified almost $4 billion in potential cost avoidance through pre-award audits. However, we found that GSA could be missing additional opportunities for cost savings on MAS contracts by not targeting for review more contracts that are eligible for audit. While GSA guidance instructs contract negotiators to request audit assistance for new contract offers and extensions as appropriate when a contract's estimated sales exceed $25 million for the 5-year contract period, more than 250 contracts that exceeded this threshold were not selected for audit for the 2-year period of 2009 through 2011 due to resource constraints.[17] In addition, the 145 contracts that were selected for audit represent only 2 percent of the total award dollars for all MAS contracts.

GSA uses other tools to improve the quality of contract negotiations, but we found that their effectiveness was limited by incomplete implementation and a narrow scope. GSA established a prenegotiation clearance panel process to ensure the quality of GSA's most significant contract negotiations by reviewing the contract's negotiation objectives with an emphasis on pricing, prior to contract award for contracts that meet certain defined dollar thresholds. However, we found several instances where clearance panel reviews were not held for contracts that met these thresholds, and GSA officials said that they do not check whether contracts that met the appropriate threshold received a panel review, thus limiting the effectiveness of this tool. GSA has begun the process of updating its prenegotiation clearance panel guidance to address this issue.

[17] Contracts that fall below the $25 million threshold may also be selected for audit based on issues such as a specific concern with a vendor's MAS contract.

GSA also conducts Procurement Management Reviews to assess contracts' compliance with statutory requirements and internal policy and guidance. However, GSA only selects a small number of contracts for review and at the time of our fieldwork did not use a risk-based selection methodology, which does not permit GSA to derive any trends based on the review findings. A subsequent update to GSA's PMR methodology to focus on attempting to select a statistical sample of contracts for review could address this issue.

Recommendations to GSA

We recommended that GSA, in coordination with its Inspector General, target the use of pre-award audits to cover more contracts that meet the audit threshold. In addition, we recommended that GSA fully implement the process that has been initiated to ensure that vendors who require a prenegotiation clearance panel receive a panel review.

Decentralized Management Structure and Limitations in Assessment Tools Limit Effective Program Management

The decentralized management structure for the MAS program and shortcomings in assessment tools also create MAS program management challenges. GSA established the MAS Program Office in July 2008 to provide a structure for consistent implementation of the MAS program. The program office's charter provides it broad responsibility for MAS program policies and strategy.

Responsibility, however, for managing the operation of individual schedules resides with nine different acquisition centers under three business portfolios. None of these business portfolios or the MAS acquisition centers that award and manage MAS contracts are under the direct management of the MAS Program Office. In addition, the program office's charter does not specifically provide it with direct oversight of the business portfolios' and acquisition centers' implementation of the MAS program. GSA officials and program stakeholders we spoke with had varying opinions about this management structure, with some noting that the program is still not managed in a coordinated way and that there is a lack of communication and consistency among MAS acquisition centers which impairs the consistent implementation of policies across the program and the sharing of information between business portfolios. The GSA Inspector General has expressed similar concerns, noting in a recent report that a lack of clearly defined responsibilities within the new FAS

organization has harmed national oversight of the MAS program and may have affected the sharing of best practices between acquisition centers.[18]

We also found that performance measures were inconsistent across the GSA organizations that manage MAS contracts, including inconsistent emphasis on competitiveness of pricing, making it difficult to have a programwide perspective of MAS program performance. Finally, GSA's MAS customer satisfaction survey has had a response rate of one percent or less in recent years that limits its utility as a means for evaluating program performance.

Recommendations to GSA

We recommended that GSA clarify and strengthen the MAS Program Office's charter and authority so that it has clear roles and responsibilities to consistently implement guidance, policies, and best practices across GSA's acquisition centers , establish more consistent performance measures across the MAS program to include measures for pricing, and take steps to increase the MAS customer survey response rate.

Concluding Observations

Billions of taxpayer dollars flow through interagency and enterprisewide contracts; however, the federal government does not have a clear and comprehensive view of who is using these contracts and if they are being used in an efficient and effective manner—one that minimizes duplication and advantages the government's buying power by taking a more strategic approach to buying goods and services. Long-standing problems with the quality of FPDS-NG data on these contracts and the lack of consistent governmentwide policy on the creation, use, and costs of awarding and administering some of these contracts are hampering the government's ability to realize the strategic value of using these contracts. Furthermore, departments and agencies may be unknowingly contracting for the same goods and services across a myriad of contracts—MACs, GWACs, the MAS program, and enterprisewide contracts. In addition, GSA's shortcomings in data, program assessment tools, and use of pricing tools create oversight challenges that prevent GSA from managing the MAS program more strategically and knowing whether the MAS program provides best prices. In agreeing with our recommendations, OMB and GSA recognize the importance of addressing these problems, but until they are resolved, we believe the government will continue to miss opportunities to minimize

[18] General Services Administration Office of Inspector General, *Review of Consistency in Implementing Policy Across Acquisition Centers* (Arlington,Va.: September 2009).

duplication and take advantage of the government's buying power through more efficient and more strategic contracting.

Madam Chairman, this concludes my prepared statement. I would be happy to respond to any questions you or the other members of the subcommittee may have at this time.

Contacts and Staff Acknowledgements

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