



Office of Audits
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Alert Memorandum: FAS is Planning to Expand the Transactional Data Reporting Rule Despite Ongoing Data Quality and Access Issues

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SUBJECT: Alert Memorandum: FAS is Planning to Expand the Transactional Data Reporting Rule Despite Ongoing Data Quality and Access Issues
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The purpose of this alert memorandum is to inform you that FAS's plan to expand the Transactional Data Reporting (TDR) Rule to the entire Multiple Award Schedules (MAS) Program despite ongoing data quality and access issues could place government agencies at risk of overpaying for products and services when ordering from FAS's MAS contracts.

Background

On June 23, 2016, GSA published a final rule in the Federal Register establishing TDR for orders placed against MAS contracts included in the TDR pilot. Under the rule, contractors are required to report transactional data, including prices paid by government customers, for products and services sold under their respective MAS contracts. In exchange for transactional data, contractors are no longer required to provide commercial pricing information or track designated basis of award customers for price reduction purposes.

Commercial pricing disclosures and price reduction protection are two key terms included in MAS contracts to ensure that contract pricing represents the contractor's most favored customer pricing and that the pricing is maintained over the life of the contract. These terms also ensure that MAS contracts harness the government's collective buying power and result in the best possible prices for customers and taxpayers.

GSA implemented TDR as a catalyst to move toward category management—a major federal initiative intended to enable government agencies to manage purchases more like a single

enterprise, as opposed to individually. According to GSA, TDR will enable the government to analyze what it buys and how much it pays, thereby allowing government procurement officials to identify the most efficient solutions and sources to meet their agencies' needs.

In the final rule, GSA asserted that TDR would be introduced to the MAS Program on a pilot basis applied to select schedules. In August 2016, FAS launched a 3-year pilot using a phased implementation over 6 months. According to FAS, the purpose of the TDR pilot was to improve the value of the MAS Program for GSA's customer agencies and the American taxpayer. The final rule also outlined that GSA would evaluate the TDR pilot against a series of metrics that included changes in price, sales volume, small business participation, and smarter buying strategies. The purpose of this evaluation is to determine whether TDR is meeting its primary objective to "fulfill the CSP [Commercial Sales Practices] and PRC [Price Reductions Clause] contract-level pricing negotiation function while lowering industry reporting burden."¹

On June 24, 2021, we issued our audit report titled *GSA's Transactional Data Reporting Pilot Is Not Used to Affect Pricing Decisions*.² In the report, we found that the TDR data was inaccurate and unreliable and that FAS contracting personnel are not using the data to negotiate or make pricing decisions. We recommended that FAS take immediate action to mitigate the risks of the TDR pilot by restricting additional offerors from opting into the TDR pilot and restricting access to and use of TDR data. We also recommended that FAS develop an exit strategy and transition participating contractors out of the TDR pilot. FAS disagreed with our recommendations.

In Fiscal Year 2020, GSA's Office of Government-wide Policy, in consultation with the U.S. Office of Management and Budget, conducted an evaluation of the TDR pilot. Based on the results of the evaluation, GSA plans to advance the TDR Rule out of the pilot phase and expand it to the entire MAS Program by November 1, 2022.

Ongoing significant deficiencies in TDR data quality and access undermine FAS's plan to expand TDR to all MAS contracts.

FAS is planning to expand TDR to the entire MAS Program despite persistent issues with the quality of TDR data and contracting personnel's lack of access to TDR data that is usable for pricing decisions. In particular, FAS does not consistently verify the product and pricing information entered by contractors, which could result in the retention of inaccurate information in the TDR database. While FAS contends that it is the contractor's responsibility to enter accurate and reliable information, FAS contracting personnel will rely on this unverified information to make pricing decisions; therefore, it is incumbent on GSA to either ensure that the data is accurate and reliable or discontinue the pilot.

¹ GSA Office of Government-wide Policy's *Transactional Data Reporting (TDR) Pilot Evaluation Plan and Metrics Version 2.0* (May 29, 2019).

² Report Number A140143/Q/6/P21002.

In an evaluation of Fiscal Year 2022 TDR data focused on part number information, FAS found that 64 percent, or approximately \$1.6 billion, of all reported TDR product sales list part numbers and product information did not match the contractors’ price lists. In other words, the TDR data from these sales is unusable because it does not align with the product part numbers on reporting contractors’ MAS contracts, which is critical for FAS contracting personnel to conduct pricing decisions. FAS officials stated that they are in the process of flagging product sales that do not match a contractor’s price list, but with over 60 percent of all TDR product sales currently not usable for price analysis, FAS has not demonstrated that TDR is reliable and thus ready for expansion.

In addition, even if FAS corrects this issue, other price analysis issues exist. For example, we found identical products offered by different contractors listed differently on their respective MAS contracts. *Figure 1* below depicts the varying data points entered by different contractors in TDR data for the same Hammermill Great White Recycled Copy Paper product.

Figure 1 – TDR Data Example of Various Entries for Hammermill Great White Recycled Copy Paper

TDR Data Field	Variances in the TDR Data
Part Number	HAM86700, 86700PL, 86700, HAM86700CT, HAM86700RM, HAM86700PLT
Manufacturer’s Name	IBRANDS/HAMMERMILL, HAMMERMILL
Unit of Measure	CA, PL, CS, CT

This lack of consistency makes comparing the same products virtually impossible and risks inaccurate pricing decisions.

We also found that TDR data for professional services is almost completely unusable and was never included in any GSA evaluations, even though the expansion of TDR will include professional service-based contracts. This is significant because, according to FAS’s Schedule Sales Query Plus website, service-based contracts represented 75.5 percent of total reported GSA sales during Calendar Year 2021.

Further, this data will be extremely difficult to standardize because there is no standard part number for labor categories. We found the column labeled “Description” often includes the labor category name, but there is no standardization and what contractors enter varies greatly. For instance, some contractors include the employee’s name next to the labor category billed, while others include a task order contract line item number, and still others list labor categories not even on their contracts. Without any common identifiers, a problem known to GSA, this inconsistent TDR data cannot be used for pricing decisions.

While the quality of the data is a significant issue, the primary reasons TDR has not affected any pricing decisions are because FAS has not yet implemented a methodology for using the data to

analyze pricing and FAS contracting personnel do not have access to TDR data that can be used for pricing decision purposes.

Furthermore, FAS contracting personnel have never used TDR data for pricing decisions during the time periods GSA evaluated the TDR pilot. As a result, FAS is deciding to expand TDR before providing FAS contracting personnel access to TDR data that can be used for pricing decisions, before observing how FAS contracting personnel use it when making pricing decisions, and before evaluating the effects of its actual use. This, coupled with the data quality issues cited above, puts government agencies at risk of overpaying for products and services when placing orders against FAS's MAS contracts.

In recent discussions, FAS senior leadership stated that TDR would not be expanded unless access and usability issues were corrected. However, these issues have not yet been corrected and we doubt they can be corrected before November 2022. Moreover, FAS's plan to conduct new training for FAS contracting personnel in July and August 2022 regarding their role in the TDR expansion indicates the expansion will not be delayed.

Conclusion

FAS's planned expansion of TDR as a pricing strategy for all of its MAS contracts could place government agencies at further risk of overpaying for products and services when ordering from FAS's MAS contracts. The TDR pilot has been in effect within MAS Program for over 5 years and has yet to accomplish its intended purpose. FAS's collection of TDR data is not being used to make decisions that affect pricing. This is due to a myriad of issues, including that the TDR data is inaccurate and unreliable and FAS contracting personnel do not have access to data that can be used for pricing decisions. Due to these continuing issues, FAS cannot ensure that TDR meets its primary objective to "fulfill the CSP and PRC contract-level pricing negotiation function while lowering industry reporting burden."

Compliance Statement

This alert memorandum complies with the Council of Inspectors General on Integrity and Efficiency's Quality Standards for Federal Offices of Inspector General. The related ongoing audit, when completed, will comply with generally accepted government auditing standards.

Audit Team

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

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