



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

Audit of GSA's Use of the NASA Solutions for Enterprise-Wide Procurement Contract

Report Number A170122/Q/6/P19005
August 22, 2019



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

We performed an audit of GSA's use of the NASA Solutions for Enterprise-Wide Procurement (SEWP) contract and have no reportable findings. However, we are reporting an observation for management's attention.

We performed this audit because we identified that GSA acquisition personnel were placing large information technology orders under the SEWP contract instead of through GSA contract sources. Our objective was to determine why GSA used the SEWP contract instead of GSA contract vehicles and if these procurements complied with applicable laws, regulations, and policies.

See **Appendix A** – Scope and Methodology for additional details.

Background

The SEWP contract is a Government-Wide Acquisition Contract that provides for the acquisition of information technology products and product-based services. The SEWP contract is an authorized contracting vehicle that any federal agency can use; however, in a memorandum dated October 11, 2012, the Acting GSA Administrator instructed GSA contracting officers to use existing GSA acquisition vehicles before considering non-GSA sources.

NASA is required to ensure SEWP prices are fair and reasonable at the contract level in accordance with Federal Acquisition Regulation (FAR) 15.4 - *Contract Pricing*. Delivery orders placed under the SEWP contract must comply with FAR 16.505 - *Ordering*, to provide all qualified contract holders fair opportunity to submit a quote. If ordering agencies follow fair opportunity requirements, there is no requirement to receive more than one quote to place an order.

GSA purchased \$123 million of information technology products through the SEWP contract during Fiscal Years 2016 and 2017. The \$123 million total included a service fee of 0.39 percent, or approximately \$480,000, collected by the SEWP program.¹ These procurements included both GSA purchases and purchases made by GSA on behalf of other agencies through GSA's Assisted Acquisition Services.

¹ For the period of our audit, the SEWP fee was 0.39 percent but was reduced to 0.375 percent effective February 1, 2018.

Results

GSA primarily used the SEWP contract for the sampled orders because the required items were either not available through GSA's Multiple Award Schedules Program, or items could not be provided within the customer's requested timeframe. GSA complied with applicable regulations and GSA policies when making procurements through the SEWP contract. As a result, we have no reportable audit findings. However, we identified an observation for management's attention. Specifically, one third of the GSA orders received only the minimally required one quote.

Observation – Use of the SEWP contract vehicle may not ensure adequate competition.

While FAR 16.505 ordering procedures do not require multiple quotes as long as GSA complies with fair opportunity requirements, it is concerning that the GSA orders generated only limited or no competition. As shown in *Figure 1*, a majority of the orders GSA placed under the SEWP contract generated limited competition. Of our sample of 15 orders totaling \$79.7 million, 5 orders were awarded based on one quote, and 3 were awarded based on two quotes. Collectively, these orders accounted for 65 percent of the dollars in our sample.

Figure 1 – Number of Quotes Received for Sample SEWP Orders

# of Quotes	# of Orders	% of Orders	\$ Value of Orders	% of Dollars
1	5	33%	\$ 33,119,976	42%
2	3	20%	\$ 18,490,790	23%
3	3	20%	\$ 14,310,898	18%
>3	4	27%	\$ 13,757,214	17%
	15		\$ 79,678,878	

Without adequate price competition, GSA and its customers are at risk of overpaying for contract items under SEWP. GSA contracting officers told us that they rely on SEWP contract level pricing when limited or no competition occurs. However, SEWP officials told us that the program does not emphasize contract level pricing because they expect customers to receive multiple quotes at the order level to drive competitive pricing. Information on SEWP's website about task order competition states, "This internal competition provides an incentive for contract holders to provide the best possible price in order to be selected for award." As illustrated in *Figure 2*, the SEWP program's reliance on price competition at the task order level places GSA at risk of overpaying when orders do not generate adequate competition.

Figure 2 – Using SEWP May Not Result in the Government Receiving Competitive Prices



The Competition in Contracting Act (41 USC 253) was passed into law in 1984 as a foundation for the FAR. As emphasized in an October 27, 2009, memorandum issued by the Office of Management and Budget entitled *Increasing Competition and Structuring Contracts for the Best Results*, competition “drives down costs, motivates better contractor performance, helps to curb fraud and waste, and promotes innovation.” The memorandum includes a discussion of the increased level of government obligations made through task and delivery order contracts and the need for agencies to evaluate the extent to which task and delivery order competition is being achieved.

GSA may be able to increase competition on SEWP orders by requiring contracting officers to obtain at least three quotes. The FAR supports three quotes as adequate competition for other contract types. For instance, FAR 8.405 - *Ordering procedures for Federal Supply Schedules*, states that contracting officers should ensure that at least three quotes are received from contractors for orders exceeding \$3,500. Further, FAR 14.408 - *Award*, states that if a contracting officer receives fewer than three bids when sealed bidding practices are used, they must ascertain the reasons for the lack of competition and initiate action to increase competition under future solicitations for the same or similar items.

Conclusion

GSA awarded orders under the SEWP contract vehicle in accordance with applicable regulations and GSA policies; as a result, we have no reportable audit findings. However, we identified an observation for management’s attention. GSA and its customers are at risk of overpaying for contract items under the SEWP contract when adequate competition is not achieved at the task order level. To strengthen competition, GSA may consider requiring contracting officers to obtain three or more quotes from qualified contractors for competitive task orders.

GSA Comments

The FAS Commissioner acknowledged our observation. FAS's written comments are included in their entirety in **Appendix B**.

Audit Team

This audit was managed out of the Heartland Region Audit Office and conducted by the individuals listed below:

Michelle Westrup	Regional Inspector General for Auditing
Erin Priddy	Audit Manager
Tracy Twombly	Auditor-In-Charge

Appendix A – Scope and Methodology

We reviewed GSA orders through the SEWP program for Fiscal Years 2016 and 2017. These orders included both GSA purchases and purchases made by GSA on behalf of other agencies through GSA's Assisted Acquisition Services.

To accomplish our objective, we:

- Sampled 15 of 192 GSA SEWP orders, representing 65 percent of all GSA SEWP purchases for the sample period;
- Reviewed order documentation for the sampled SEWP orders;
- Interviewed GSA contracting officers, ordering agency officials, and contract holders;
- Interviewed NASA SEWP officials; and
- Reviewed applicable FAR, the Competition in Contracting Act, and GSA policy.

We conducted the audit between September 2017 and June 2018 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Internal Controls

Our assessment of internal controls was limited to those necessary to address the objective of the audit.

Appendix B – GSA Comments



U.S. General Services Administration

August 8, 2019

MEMORANDUM FOR: Jay Fisher
Acting Heartland Regional Inspector General for Auditing
Heartland Region Audit Office (JA-6)

FROM: Alan B. Thomas, Jr. ^{FOR} *Judith A. Zavaleta*
Commissioner
Federal Acquisition Service (Q)

SUBJECT: Response to Draft Report "Audit of GSA's Use of the NASA
Solutions for Enterprise-Wide Procurement Contract," Report
Number A170122

Thank you for the opportunity to comment on the referenced draft audit report *Audit of the NASA Solutions for Enterprise-Wide Procurement Contract*, Report Number A170122 dated July 15, 2019. GSA values the importance of competition in the acquisition process and increasing competition is one of four priorities of the GSA Administrator.

GSA acknowledges the management observation, values competition, and continually seeks to improve competition performance. GSA regularly monitors competition rates across the agency with Heads of Contract Activity and Competition Advocates utilizing GSA's Acquisition Balanced Scorecard approach that measures competition metrics as a key performance indicator. This agency-wide dashboard provides information on the competition rate and one-bid rate, as the end of third quarter shows GSA exceeding the FY 2019 established goals. The competition rate is 92% and the one-bid rate is 13.5% across the agency. GSA understands the importance of competition and the role it plays in obtaining best value for the taxpayer.

U.S. General Services Administration
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Appendix C – Report Distribution

GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (Q)

Commissioner (P)

Acting Deputy Commissioner (Q1)

Deputy Commissioner (Q2)

Director (QT2F)

Deputy Chief Acquisition Officer/SPE (M1V)

Chief of Staff (Q0A)

Senior Advisor (Q0A)

Assistant Commissioner, Office of Policy and Compliance (QV)

Financial Management Officer, FAS Financial Services Division (BGF)

Procurement Analyst (QF1)

Supervisory Management and Program Analyst (QF0A)

Supervisory Management and Program Analyst (QF0BA)

Director of Financial Management (BG)

Chief Administrative Services Officer (H)

Audit Management Division (H1EB)

Assistant Inspector General for Auditing (JA)

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