



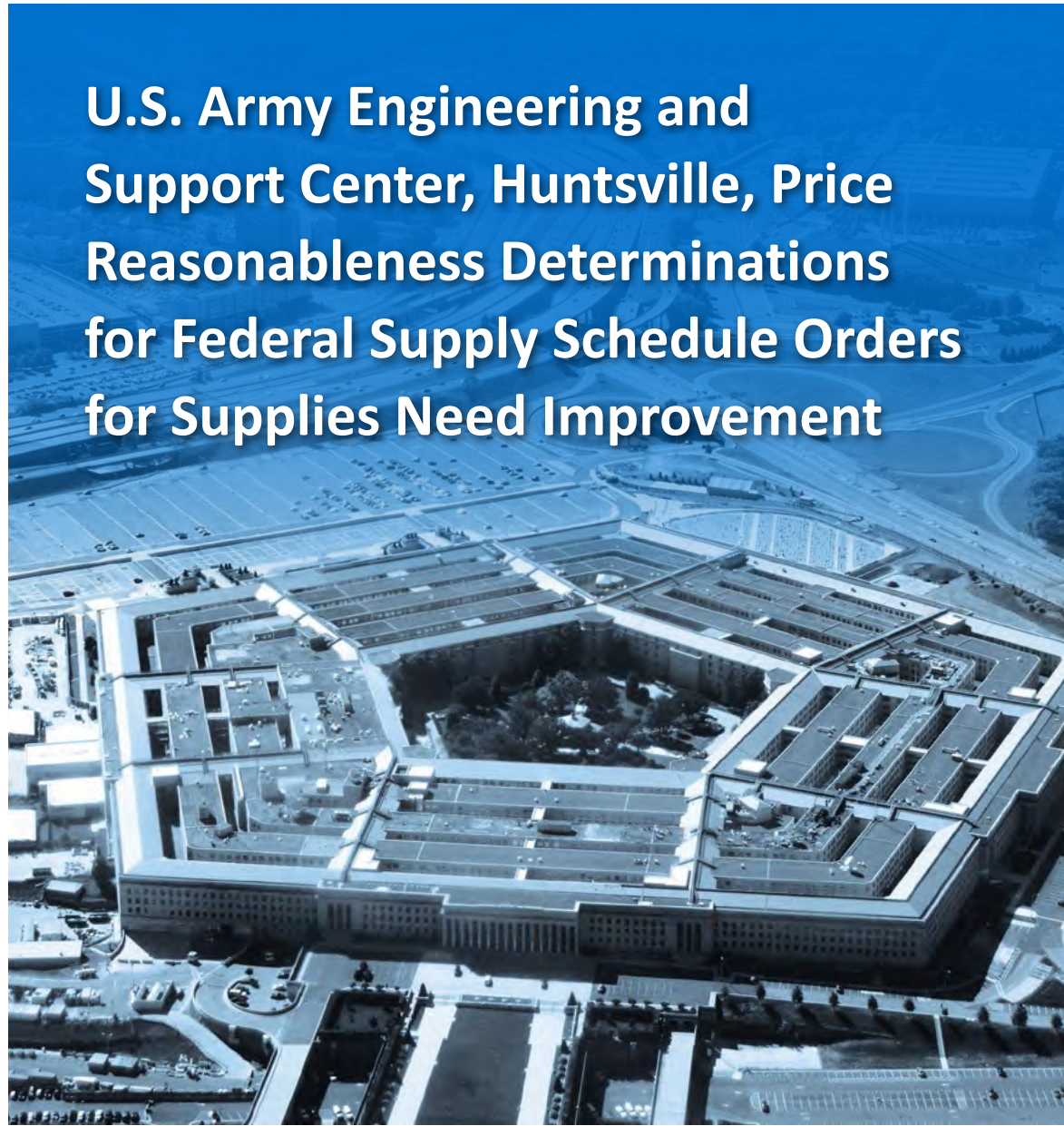
INSPECTOR GENERAL

U.S. Department of Defense

MARCH 29, 2016



U.S. Army Engineering and Support Center, Huntsville, Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies Need Improvement



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Results in Brief

U.S. Army Engineering and Support Center, Huntsville, Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies Need Improvement

March 29, 2016

Objective

We determined whether U.S. Army Corps of Engineers contracting officers made determinations of fair and reasonable pricing for General Services Administration Federal supply schedule orders awarded for purchases of supplies. We reviewed a nonstatistical sample of 33 orders, valued at \$13.6 million.

Findings

Contracting personnel at the U.S. Army Engineering and Support Center, Huntsville (CEHNC), made adequate price reasonableness determinations for 8 of 33 orders, valued at \$3.6 million of \$13.6 million, reviewed. Specifically, CEHNC contracting personnel compared the prices from more than one technically acceptable vendor quote and selected the lower vendor quote.

However, CEHNC contracting personnel did not adequately document and support their price reasonableness determinations for 25 orders, valued at \$10 million. Specifically, CEHNC contracting personnel relied on:

- inadequate independent Government estimates for all 25 orders. This occurred because they relied on the expertise of the preparers of the independent Government estimates rather than having the preparers document and support the basis of the estimate as required by the Army Federal Acquisition Regulation Supplement and U.S. Army Corps of Engineers guidance. In addition, while

Findings (cont'd)

the contracting officers stated that they took training on preparing independent Government estimates, they did not document that they completed that training;

- vendor quotes that were eliminated from consideration for technical reasons for 7, valued at \$3 million, of the 25 orders without verifying whether the prices were still valid for comparison purposes. The contracting officer stated that this was an oversight. In addition, we determined that CEHNC did not have guidance on using technically unacceptable quotes for price reasonableness determinations.

In addition, CEHNC contracting personnel relied on price reasonableness determinations that were not approved until after the award of 4, valued at \$1.76 million, of the 33 orders. The contracting officer stated that this was an oversight. In addition, we determined that CEHNC did not have guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders. As a result, CEHNC customers may have paid more than they should have for the supplies purchased.

Recommendations

We recommend the Commander, CEHNC, provide refresher training detailing contracting officers responsibilities for developing, reviewing, and approving independent Government estimates; document contracting personnel completion of the training; develop and implement guidance requiring contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations; and develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

Management Comments and Our Response

The Commander, CEHNC, addressed all specifics of the recommendations, and no further comments are required. Please see the Recommendations Table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, U.S. Army Engineering and Support Center, Huntsville	None	1.a, 1.b, 1.c



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

March 29, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
COMMANDER, U.S. ARMY CORPS OF ENGINEERS

SUBJECT: U.S. Army Engineering and Support Center, Huntsville, Price Reasonableness
Determinations for Federal Supply Schedule Orders for Supplies Need
Improvement (Report No. DODIG-2016-069)

We are providing this report for information and use. Contracting personnel from the U.S. Army Engineering and Support Center, Huntsville, Alabama, made adequate price reasonableness determinations for 8 of 33 orders, valued at \$3.6 million, involving more than one technically acceptable quote. However, they did not make adequate price reasonableness determinations for 25 orders, valued at 10 million, involving only one technically acceptable quote. As a result, U.S. Army Engineering and Support Center, Huntsville, customers may have paid more than they should have for the supplies purchased. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Commander, U.S. Army Engineering and Support Center, Huntsville, addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

A handwritten signature in blue ink, appearing to read "M. J. Roark", is positioned above the typed name.

Michael J. Roark
Assistant Inspector General
Contract Management and Payments



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Acronyms and Abbreviations



Introduction

Objective

We determined whether the U.S. Army Corps of Engineers (USACE) contracting officers made determinations of fair and reasonable pricing for General Services Administration (GSA) Federal supply schedule (FSS) orders awarded for purchases of supplies. See Appendix A for scope, methodology, and prior coverage.

Use of Federal Supply Schedules

The GSA FSS program allows the Government to purchase commercial supplies and services at prices associated with volume buying. Through the program, GSA awards indefinite delivery contracts to provide supplies and services at discounted prices for the term of the contract. The Federal Acquisition Regulation (FAR)¹ states, “GSA has already determined the prices of supplies and fixed-price services and rates for services offered at hourly rates under schedule contracts to be fair and reasonable. Therefore, ordering activities are not required to make a separate price reasonableness determination for individual orders placed against the indefinite delivery contracts.”

Class Deviation

The Director, Defense Procurement and Acquisition Policy, issued “Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts,” (class deviation)² on March 13, 2014. The class deviation requires contracting personnel to make determinations of fair and reasonable pricing for GSA FSS orders (hereafter referred to as orders). Specifically:

Supplies offered on the schedule are listed at fixed prices. Services offered on the schedule are priced either at hourly rates, or at a fixed price for performance of a specific task (e.g., installation, maintenance, and repair). GSA has determined the prices of supplies and fixed-price services, and rates for services offered at hourly rates, to be fair and reasonable for the purpose of establishing the schedule contract. GSA's determination does not relieve the ordering activity contracting officer from the responsibility of making a determination of fair and reasonable pricing for individual orders, BPAs [blanket purchase agreements], and orders under BPAs, using the proposal analysis techniques at 15.404-1. The complexity and circumstances of each acquisition should determine the level of detail of the analysis required.

¹ FAR Part 8, “Required Sources of Supplies,” Subpart 8.4, “Federal Supply Schedules,” 8.404(d), “Pricing.”

² FAR 1.401(a) defines a deviation as the issuance or use of a policy, procedure, solicitation provision, contract clause, method, or practice of conducting acquisition actions of any kind at any state of the acquisition process that is inconsistent with the FAR. FAR 1.404 defines a class deviation as a deviation that affects more than one contract action.

The class deviation remains in effect, and will remain in effect, until incorporated in the Defense Federal Acquisition Regulation Supplement or otherwise rescinded.

U.S. Army Engineering and Support Center, Huntsville

The U.S. Army Engineering and Support Center, Huntsville (CEHNC), in Huntsville, Alabama, supports national interest by providing specialized technical expertise, global engineering solutions, and cutting edge innovations through centrally managed programs. It provides unique technical expertise to programs that are generally at a national level or broad in scope. CEHNC supports tasks not normally accomplished by a USACE headquarters element; tasks that require a centralized management structure, integrated facilities, or systems that cross geographic division boundaries; and tasks that require commonality, standardization, multiple-site adaption, or technology transfers.

Orders Reviewed

We used the Federal Procurement Data System-Next Generation (FPDS-NG) to identify the universe of orders for supplies awarded by Army contracting personnel from March 14, 2014, through May 31, 2015. We selected CEHNC in Huntsville, Alabama, because, according to FPDS-NG, CEHNC contracting officers awarded more orders involving one quote than any other Army contracting office. We reviewed all 16 orders, valued at \$6.5 million, that involved one quote. We also reviewed all 17 orders, valued at \$7.1 million, that involved two quotes to confirm that competition occurred and that competition was the basis for supporting contracting officers' determination of fair and reasonable pricing. Overall, we nonstatistically selected 33 orders, valued at \$13.6 million, for review (See Appendix B).

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness with CEHNC contracting personnel not adequately documenting and supporting their price reasonableness determinations. We will provide a copy of the report to the senior official responsible for internal controls at USACE.

Finding

CEHNC Contracting Personnel Did Not Always Make Adequate Price Reasonableness Determinations

CEHNC contracting personnel made adequate price reasonableness determinations for 8 of 33 orders, valued at \$3.6 million of \$13.6 million, reviewed. Specifically, CEHNC contracting personnel compared the prices from more than one technically acceptable³ vendor quote⁴ and selected the lower vendor quote.

However, CEHNC contracting personnel did not adequately document and support their price reasonableness determinations for 25 orders, valued at \$10 million. Specifically, CEHNC contracting personnel relied on:

- inadequate independent Government estimates (IGEs) that did not identify the basis of the estimate for all 25 orders. This occurred because they relied on the expertise of the preparers of the IGEs rather than having the preparers document and support the basis of the estimate as required by the Army FAR Supplement⁵ and USACE guidance.⁶ In addition, while the contracting officers stated that they took training on preparing IGEs, they did not document that they completed that training; and
- vendor quotes that were eliminated from consideration for technical reasons for 7, valued at \$3 million, of the 25 orders without verifying whether the prices were still valid for comparison purposes. The contracting officer stated that this was an oversight. In addition, we determined that CEHNC did not have guidance on using technically unacceptable quotes for price reasonableness determinations.

In addition, CEHNC contracting personnel relied on price reasonableness determinations that were not approved until after the award of 4, valued at \$1.76 million, of the 33 orders. The contracting officer stated that this was an

³ According to the Director, Defense Procurement and Acquisition Policy, memorandum, "Source Selection Procedures," March 4, 2011, "technical" refers to non-price factors other than past performance. The purpose of the technical factor is to assess whether the offeror's proposal will satisfy the Government's minimum requirements.

⁴ FAR Subpart 8.4, "Federal Supply Schedules" uses the term "quote" to refer to offers made by prospective vendors competing for orders placed under the GSA Federal supply schedules. However, the class deviation requires contracting officers to use the price analysis techniques under FAR 15.404-1 which uses the term "proposal." For the purposes of this report, we use the term "quote" in reference to the offers received for the 33 orders we reviewed.

⁵ Army FAR Supplement Part 5107, "Acquisition Planning," Subpart 5107.90, "Independent Government Cost Estimates," 5107.9002, "Policy."

⁶ USACE Procurement Instruction Letter 2012-03-R-1, "Requirements for Development, Review and Approval of Independent Government Estimates," August 14, 2012.

oversight. In addition, we determined that CEHNC did not have guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

As a result, CEHNC customers may have paid more than they should have for the supplies purchased.

Price Competition Substantiated Price Reasonableness Determinations

CEHNC contracting personnel made adequate price reasonableness determinations for 8 of 33 orders, valued at \$3.6 million of \$13.6 million.

CEHNC contracting personnel made adequate price reasonableness determinations for 8 of 33 orders, valued at \$3.6 million of \$13.6 million, by comparing the prices from more than one technically acceptable vendor quote and selecting the lower vendor quote. The FAR⁷ states that the Government may compare vendor prices in response to a solicitation to ensure a fair and reasonable price. For example, the contracting officer for order W912DY-14-F-0289 received two quotes, one for \$1.02 million and another for \$0.95 million. Both quotes were technically acceptable and the contracting officer selected the lower quote.

CEHNC Contracting Personnel Relied on Inadequate Independent Government Estimates

CEHNC contracting personnel relied on inadequate IGEs that did not identify the basis of the estimate for 25 orders, valued at \$10 million, because they relied on the expertise of the IGE preparers rather than asking the preparers to identify the basis of the estimate as required by the Army FAR Supplement and USACE guidance. While contracting personnel stated they completed IGE training, they could not provide documentation showing that they completed the training. See Appendix C for a listing of contracts with inadequate IGEs.

CEHNC contracting personnel relied on inadequate IGEs...for 25 orders, valued at \$10 million.

⁷ FAR Part 15, "Contracting by Negotiation," Subpart 15.4, "Contract Pricing," 15.404-1, "Proposal Analysis Techniques."

Contracting Personnel Did Not Follow Army Guidance

CEHNC contracting personnel did not follow the Army FAR Supplement,⁸ which states that an IGE shall contain enough detail to verify the validity of the offerors' proposals and provide sufficient narrative and analytical detail, to include reference material, to support its preparation. In addition, they did not follow USACE guidance⁹ which states that, before an IGE is accepted, the contracting officer must review all IGEs and ensure the IGE contains specific elements including sufficient narrative explaining the basis for the estimate and clear identification of the reference material used. The USACE guidance also states that, if the IGE is received without the required details, the contracting officer must return the IGE and request correction before any further action is taken on the acquisition.

For example, the IGE for order W912DY-14-F-0447, valued at \$791,813.25, stated, "this estimate was developed using GSA pricing," but did not identify the basis of the estimate such as which GSA schedules were used for the estimate, how many individual schedules were used to develop the estimate, and what processes were used to determine the estimated values. The CEHNC contracting officer stated that he did not return the IGE to the preparer for additional information because he relied on the expertise of the preparer of the IGE rather than asking the preparer to identify the basis of the estimate.

Contracting Personnel Did Not Document Completion of IGE Training

CEHNC conducted IGE training in May 2012 to address contracting officer responsibilities, including ensuring that IGEs document how prices or costs were developed, and that IGEs clearly identify reference materials used to develop the IGEs. We determined that the May 2012 training reinforced the requirements in the USACE guidance¹⁰ and adequately addressed how to prepare an IGE. Contracting personnel stated they completed IGE training. While the contracting officers stated that they took the May 2012 training, they could not provide documentation showing that they completed the training. The Commander, CEHNC, should provide refresher training detailing contracting officer's responsibilities for developing, reviewing, and approving IGEs and document completion of the training.

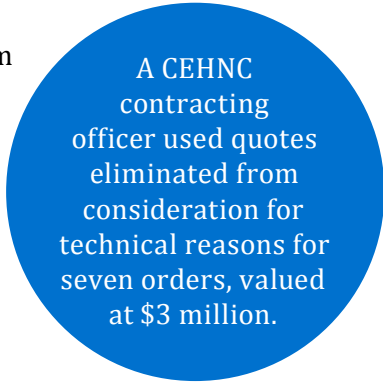
⁸ Army FAR Supplement Part 5107, "Acquisition Planning," Subpart 5107.90, "Independent Government Cost Estimates," 5107.9002, "Policy."

⁹ USACE Procurement Instruction Letter 2012-03-R1, "Requirements for Development, Review, and Approval of Independent Government Estimates," August 14, 2012.

¹⁰ USACE Procurement Instruction Letter 2012-03-R1, "Requirements for Development, Review, and Approval of Independent Government Estimates," August 14, 2012.

A CEHNC Contracting Officer Relied on Technically Unacceptable Quotes for Price Reasonableness Determinations

A CEHNC contracting officer used quotes eliminated from consideration for technical reasons for seven orders, valued at \$3 million, for making price reasonableness determinations without verifying whether the prices were still valid for comparison purposes. The contracting officer stated the use of the eliminated quotes was an oversight. The 7 orders were part of the 25 orders that also had IGE deficiencies.



A CEHNC contracting officer used quotes eliminated from consideration for technical reasons for seven orders, valued at \$3 million.

For example, the contracting officer for order W912DY-14-F-0302, valued at \$1.1 million, determined that the price paid was fair and reasonable by comparing the quote from one vendor to the IGE and other quotes. However, the only other quote received was eliminated for technical reasons because the vendor bid on the wrong model number of an item and did not bid on all items in the request for quote. The contracting officer did not verify that the prices from the eliminated quote were still valid for price reasonableness determination purposes. CEHNC did not have guidance to prevent the use of a technically unacceptable quote for price reasonableness determinations. The Commander, CEHNC, should develop and implement guidance that requires contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations.

Orders Awarded Before Price Reasonableness Determinations Approved

CEHNC contracting personnel relied on price reasonableness determinations that were not approved until after the award of 4, valued at \$1.76 million, of the 33 orders because of an oversight by the contracting officer. Contracting personnel awarded three of the orders on September 30, 2014, the last day of the fiscal year. As the table below illustrates, the time lapse between award date and price reasonableness determination approval date ranged from 36 days to more than a year.

Table. Orders Awarded Before Price Reasonableness Approved

Order Number	Order Amount* (in thousands)	Award Date	Price Reasonableness Determination Approval Date
W912DY-14-F-0473	\$279	September 30, 2014	November 5, 2014
W912DY-14-F-0248	228	August 7, 2014	September 22, 2015
W912DY-14-F-0447	792	September 30, 2014	July 10, 2015
W912DY-14-F-0479	456	September 30, 2014	July 2, 2015
Total	\$1,755		

* Amounts are rounded.

The FAR¹¹ states that the contracting officer is responsible for evaluating the reasonableness of the offered prices. USACE guidance¹² provides a toolkit for reviewing contract files that asks, “Is there clear evidence of adequate cost/price analysis and price reasonableness determination?” However, the instructions and toolkit do not specifically require that the price reasonableness determination be approved before the order is awarded. In addition, CEHNC did not have any guidance requiring that the price reasonableness determination be approved before an order was awarded.

The contracting officer for three orders stated that not approving the Contracting Officer’s Determination, which included the statement that the prices paid were fair and reasonable, was an oversight on his part. The contracting officer responsible for the other order no longer worked for CEHNC. The Director, CEHNC, should develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

Conclusion

Documentation is a necessary part of an effective internal control system. However, CEHNC contracting personnel relied on inadequate documentation when making price reasonableness determinations for 26 orders, valued at \$10.5 million. Specifically, CEHNC contracting personnel relied on inadequate IGEs that did not identify the basis of the estimate and quotes eliminated for technical reasons, without determining whether the technical problems had affected the pricing of those quotes, when making price reasonableness determinations. As a result, CEHNC customers may have paid more than they should have for the supplies purchased.

¹¹ FAR Part 15, “Contracting by Negotiation,” Subpart 15.4, “Contract Pricing,” 15.404-1, “Proposal Analysis Techniques.”

¹² USACE Acquisition Instruction, version 3, November 1, 2014.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend the Commander, U.S. Army Engineering and Support Center, Huntsville,

- a. Provide refresher training on contracting officers responsibilities for developing, reviewing, and approving independent Government estimates, and document completion of the training.**

U.S. Army Engineering and Support Center, Huntsville Comments

The Commander, CEHNC, partially agreed, stating that contracting officers review and ensure they understand the basis of IGEs but do not develop or approve them. USACE Procurement Instruction Letter 2012-03-R1 states that the IGE approver shall not be the contracting officer for the acquisition, but shall be a person who is competent in judging the validity of the IGE. The development and approval of the IGE are independent from the acquisition approval authority to ensure checks and balances. The IGE is approved at least one level above the preparer by the requiring activity as another check and balance. The contracting officer's obligation is to read and assess whether the IGE provides clear, relevant, and complete information and narrative with detail commensurate to the action. CEHNC agreed that any IGE that does not meet the needs of the contracting officer should be returned to the preparer for additional information and clarifications as required. Refresher training on the need to review and assess the adequacy of the basis for the IGE will be provided at multiple forums in March 2016.

Our Response

Although the Commander, CEHNC, partially agreed with the recommendation, the comments addressed the intent of the recommendation and no further comments are required.

- b. Develop and implement guidance requiring contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations.**

U.S. Army Engineering and Support Center, Huntsville Comments

The Commander, CEHNC, agreed, stating that when technical proposals are rejected, the price analysis will include any rationale for including those proposals. The Source Selection Advisory Committee and/or the Source Selection Authority will review price and technical evaluations after which a decision will be made on whether or not the pricing of those proposal found technically unacceptable still has merit for price analysis. This decision will be documented. Refresher training for this will be provided at multiple forums in March 2016.

Our Response

Comments from the Commander addressed all specifics of the recommendation, and no further comments are required.

- c. Develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.**

U.S. Army Engineering and Support Center, Huntsville Comments

The Commander, CEHNC, agreed, stating that the Contracting Directorate will conduct refresher training for contracting officers to ensure they make a determination of fair and reasonable pricing and document their determination in the contract file. The refresher training will be provided at multiple forums in March 2016. However, the Commander requested a wording change to the recommendation stating that contracting officers determine whether prices are fair and reasonable rather than approving the determination.

Our Response

Although comments from the Commander requested a wording change to the recommendation, his comments addressed all specifics of the recommendation, and no further comments are required. We did not change the wording of the recommendation because, while we agree that contracting officers determine whether prices are fair and reasonable, the contracting officers should have approved the contract specialists' work before the orders were awarded for 4 orders as they did for the other 29 orders.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2015 through February 2016 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.

Universe and Sample

We used FPDS-NG to identify the universe of orders that Army contracting personnel awarded for purchases of supplies from March 14, 2014, through May 31, 2015. We eliminated:

- contract modifications, and
- orders valued below the \$150,000 simplified acquisition threshold.

The Army universe consisted of 601 orders, valued at \$334.8 million. From the 601 orders, we identified contracting offices that awarded orders where only one quote was received, resulting in a modified universe of 219 orders, valued at \$105 million. We selected CEHNC in Huntsville, Alabama, because, according to FPDS-NG, CEHNC contracting officers awarded more orders involving one quote than any other Army contracting office. We selected all 16 orders, valued at \$6.5 million, involving one quote to review.

We also reviewed 17 orders, valued at \$7.1 million, that involved two quotes to confirm that competition occurred and that competition was the basis for supporting contracting officers' determination of fair and reasonable pricing. Overall, we nonstatistically selected 33 orders, valued at \$13.6 million, to review.

Work Performed

We collected, reviewed, and analyzed documents for 33 orders, valued at \$13.6 million, to determine whether CEHNC contracting officers made adequate determinations of fair and reasonable pricing. The documentation included:

- orders,
- vendor quotes,

- Contracting Officer's Determinations,
- Determinations of Technical and Price Reasonableness, and
- IGEs.

We obtained documentation from the Electronic Document Access system and the Army Paperless Contract Files. We reviewed documentation dated from December 2008 through December 2015.

We used the following criteria as the basis for our analysis.

- FAR Subpart 8.4, "Federal Supply Schedules;"
- FAR Subpart 15.4, "Contract Pricing;"
- Director, Defense Procurement and Acquisition Policy, "Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts," March 13, 2014;
- Director, Defense Procurement and Acquisition Policy, memorandum, "Source Selection Procedures," March 4, 2011;
- Army FAR Supplement Part 5107, "Acquisition Planning;"
- USACE Acquisition Instruction, version 3, November 1, 2014; and
- USACE Procurement Instruction Letter 2012-03-R1, "Requirements for Development, Review, and Approval of Independent Government Estimates," August 14, 2012.

We interviewed CEHNC contracting officers who awarded the orders to determine whether they were aware of the class deviation and to review their documentation of price analysis and price reasonableness determinations. In addition, we met with the CEHNC head of contracting. We also met with personnel from the Office of the Director, Defense Procurement and Acquisition Policy, to discuss issues related to the deviation, the adequacy of the IGEs, and the use of technically unacceptable quotes for price reasonableness determinations.

Use of Computer-Processed Data

We did not use computer-processed data to support our findings and conclusions.

Use of Technical Assistance

We received technical assistance from the Quantitative Methods Division to select a nonstatistical sample of orders to review.

Prior Coverage

The Department of Defense Inspector General, Government Accountability Office, Army Audit Agency, the Air Force Audit Agency, and the Naval Audit service have not issued any reports on the class deviation since it became effective on March 13, 2014.

Appendix B

General Services Administration Federal Supply Schedule Orders Reviewed

	GSA FSS Order Number	Order Amount* (in thousands)	Description of Supplies Purchased
1	W912DY-14-F-0289	\$950	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Wainwright, Alaska, Hangar building 3007
2	W912DY-14-F-0338	843	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Navy Kitsap Bremerton, Washington, building 1001
3	W912DY-14-F-0414	491	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 1355-A
4	W912DY-14-F-0469	269	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Schofield Barracks, Hawaii, building 360
5	W912DY-14-F-0507	232	Information Management/Information Technology equipment for Womack Army Medical Center, North Carolina, Lifecycle Replacement
6	W912DY-14-F-0351	198	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Lee, Virginia, building 7119
7	W912DY-14-F-0497	196	Naval Meteorology and Oceanography Command Lifecycle Replacement of A2 High Performance Computing nodes
8	W912DY-14-F-0479	456	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Joint Base San Antonio, Texas, building 44
9	W912DY-15-F-0008	796	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Boeblingen, Germany, Elementary School (administrative furnishings)
10	W912DY-14-F-0447	792	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Camp Stanley, Korea, various buildings
11	W912DY-14-F-0253	700	EnterSpace Decisioning Service software maintenance
12	W912DY-14-F-0250	650	Way-Finding & Patient Check-In System
13	W912DY-14-F-0254	513	TerraBuilder and TerraExplorer Pro bundle software licenses and maintenance
14	W912DY-14-F-0132	502	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 2391, Section A

General Services Administration Federal Supply Schedule Orders Reviewed (cont'd)

	GSA FSS Order Number	Order Amount* (in thousands)	Description of Supplies Purchased
15	W912DY-14-F-0376	482	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 3003
16	W912DY-14-F-0309	413	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Leonard Wood, Missouri, building 11402
17	W912DY-14-F-0439	350	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Schofield, Building 1091
18	W912DY-14-F-0440	235	Furnishings, Services, and Shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 3802
19	W912DY-14-F-0248	228	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Great Lakes, various buildings
20	W912DY-14-F-0377	210	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Hunter Army Airfield, Georgia, building 81273
21	W912DY-15-F-0029	165	Miscellaneous furniture, Soldier Care Clinic, Fort Drum, New York
22	W912DY-14-F-0495	159	Naval Meteorology and Oceanography Command Assured Compliance Assessment Solution compliance hardware and software
23	W912DY-14-F-0396	159	Lounge seating and furniture, Vilseck Health Clinic Addition/Alteration, Phase 1, Rose Barracks, Vilseck Germany
24	W912DY-14-F-0406	156	PX Pharmacy Modular Medical Casework, Fort Gordon, Georgia
25	W912DY-14-F-0302	1,113	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Naples, Italy, various buildings
26	W912DY-14-F-0484	578	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Gordon, Georgia, building 25715
27	W912DY-14-F-0370	315	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Irwin, California, building 255
28	W912DY-14-F-0424	280	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Administration, Fort Benning, Georgia, building 36 casegoods & ancillary items
29	W912DY-14-F-0473	279	Fort Belvoir Community Hospital Cisco software and hardware maintenance support
30	W912DY-14-F-0034	269	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Eustis, Virginia, aviation training facility, building 27513

General Services Administration Federal Supply Schedule Orders Reviewed (cont'd)

	GSA FSS Order Number	Order Amount* (in thousands)	Description of Supplies Purchased
31	W912DY-14-F-0297	248	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Yongsan, Korea, building T-1750
32	W912DY-15-F-0012	215	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Boeblingen, Germany, elementary school (library furnishings)
33	W912DY-14-F-0430	208	Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Navy, Pearl Harbor, Hawaii, various buildings
	Total	\$13,650	

* Amounts are rounded.

Appendix C

Orders With Inadequate Price Reasonableness Determinations

	GSA FSS Order Number	Order Amount* (in thousands)	Use of Quotes Eliminated for Technical Reasons	Use of Inadequate IGEs	Price Reasonableness Determinations Approved After Award
1	W912DY-14-F-0479	\$456			X
2	W912DY-15-F-0008	796		X	
3	W912DY-14-F-0447	792		X	X
4	W912DY-14-F-0253	700		X	
5	W912DY-14-F-0250	650		X	
6	W912DY-14-F-0254	513		X	
7	W912DY-14-F-0132	502		X	
8	W912DY-14-F-0376	482		X	
9	W912DY-14-F-0309	413		X	
10	W912DY-14-F-0439	350		X	
11	W912DY-14-F-0440	235		X	
12	W912DY-14-F-0248	228		X	X
13	W912DY-14-F-0377	210		X	
14	W912DY-15-F-0029	165		X	
15	W912DY-14-F-0495	159		X	
16	W912DY-14-F-0396	159		X	
17	W912DY-14-F-0406	156		X	
18	W912DY-14-F-0302	1,113	X	X	
19	W912DY-14-F-0484	578	X	X	
20	W912DY-14-F-0370	315	X	X	

Orders With Inadequate Price Reasonableness Determinations (cont'd)

	GSA FSS Order Number	Order Amount* (in thousands)	Use of Quotes Eliminated for Technical Reasons	Use of Inadequate IGEs	Price Reasonableness Determinations Approved After Award
21	W912DY-14-F-0424	280	X	X	
22	W912DY-14-F-0473	279		X	X
23	W912DY-14-F-0034	269	X	X	
24	W912DY-14-F-0297	248	X	X	
25	W912DY-15-F-0012	215		X	
26	W912DY-14-F-0430	208	X	X	
	Totals	\$10,471	7	25	4

* Amounts are rounded.

Management Comments

Department of the Army Comments



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
WASHINGTON, D.C. 20314-1000

CEIR

11 March 2016

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 4800
MARK CENTER DRIVE, ALEXANDRIA, VIRGINIA 22350-1500

SUBJECT: DoDIG Draft Report: GSA Federal Supply Schedules for Purchases of
Supplies Project (D2015-D000CF-0207.000)

1. Reference DoDIG Draft Report, same subject as above.
2. Attached is the USACE reply to the subject draft report. HQ USACE partially concurs with recommendation 1a and concurs with recommendations 1b, and 1c contained within DODIG's draft report.
3. If you have additional questions, please contact [REDACTED] at [REDACTED] or via email at [REDACTED].

FOR THE COMMANDER:

TUCKER.PATRICK

PATRICK H. TUCKER
Deputy Chief
Office of Internal Review

Encl

Department of the Army Comments (cont'd)



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
HUNTSVILLE CENTER, CORPS OF ENGINEERS
P.O. BOX 1600
HUNTSVILLE, ALABAMA 35807-4301

CEHNC-Z

08 March 2016

MEMORANDUM FOR Program Director, Contract Management and Payments,
Office of the Inspector General, Department of Defense

SUBJECT: Response to Department of Defense Office of Inspector General Draft
Report, GSA Federal Supply Schedules for Purchases of Supplies, (Project No.
D2015-D000CF-0207.000) dated 12 February 2016

1. This Memorandum responds to the subject report issued on 12 February 2016.
The responses in this memorandum are in response to the recommendations
addressed to the Commander, U.S. Army Engineering and Support Center, Huntsville:

2. Department of Defense Office of Inspector General (DoDIG) Draft Report,
Recommendations 1 – page 8.

a. DoDIG Draft Report, recommendation 1a, page 8.

(1) DoDIG Draft Report Recommendation: We recommend that the
Commander, U.S. Army Engineering and Support Center, Huntsville provide refresher
training on contracting officers responsibilities for developing, reviewing and approving
independent Government estimates, and document completion of the training.

(2) US Army Engineering and Support Center, Huntsville Response to Draft
Report Recommendation: Partially Concur. Contracting Officers (Procuring
Contracting Officers and Administrative Contracting Officers) do not develop or
approve IGEs. PCO/ACOs review and ensure they understand the basis of IGEs.
USACE instruction letter 2012-03-R1 specifically states the "IGE approver shall not be
the PCO or ACO for the acquisition, but shall be a person who is competent in judging
the validity of the IGE. The development and approval of the IGE are independent
from the acquisition approval authority to ensure checks and balances. The IGE is
approved at least one level above of the preparer by the requiring activity as another
check and balance. The PCO/ACO obligation is to read and assess if the IGE
provides clear, relevant and complete information/narrative with detail commensurate
to the action. CEHNC agrees that any IGE that does not meet the needs of the
PCO/ACO be returned to the IGE preparer for additional information and clarifications
as required.

(3) The refresher training on the need to review and assess the adequacy of
the basis for the IGE will be provided at multiple forums including March 2016 CT
Town Hall and PCO/ACO quarterly training also in March 2016. This will also be

Department of the Army Comments (cont'd)

CEHNC-Z

SUBJECT: Response to Department of Defense Office of Inspector General Draft Report, GSA Federal Supply Schedules for Purchases of Supplies, (Project No. D2015-D000CF-0207.000) dated 12 February 2016

address at an upcoming PDT University so Project Managers can communicate with the requiring activity on the need for the appropriate basis for the IGE. An attendance roster will be kept for each forum.

b. DoDIG Draft Report, recommendation 1b, page 8.

(1) DoDIG Draft Report Recommendation: We recommend that the Commander, U.S. Army Huntsville Engineering and Support Center, Huntsville, develop, and implement guidance requiring contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations.

(2) US Army Engineering and Support Center, Huntsville Response to Draft Report Recommendation: CONCUR. When technical proposal are rejected the price analysis will include any rationale for including those proposals found technically unacceptable in the price analysis. The two are evaluated separately so the initial price analysis will include all offerors. Once the price and technical evaluations are reviewed by the Source Selection Advisory Committee and/or the Source Selection Authority the decision will be made whether or not the pricing of those proposal found technically unacceptable still has merit for price analysis. This will be documented. The refresher training on the need to document the decision to include the price of non-technically acceptable proposals in the price analysis will be provided at multiple forums including March 2016 CT Town Hall and PCO/ACO quarterly training also in March 2016. An attendance roster will be kept for each forum.

c. DoDIG Draft Report, recommendation 1c, page 8.

(1) DoDIG Draft Report Recommendation: We recommend that the Commander, U.S. Army Engineering and Support Center, Huntsville develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

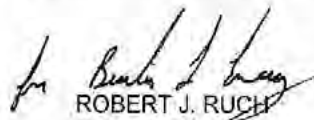
(2) U.S. Army Engineering and Support Center, Huntsville Response to Draft Report Recommendation: CONCUR with a request for wording change. The Contracting Directorate will conduct refresher training for PCO/ACO to ensure that they make a determination of fair and reasonable price and document their determination in the contract file. The PCO/ACO determines rather than "approves". The KO makes the determination of the proposed prices using FAR 15.404-1 techniques as appropriate.

Department of the Army Comments (cont'd)

CEHNC-Z

SUBJECT: Response to Department of Defense Office of Inspector General Draft Report, GSA Federal Supply Schedules for Purchases of Supplies, (Project No. D2015-D000CF-0207.000) dated 12 February 2016

(3) The refresher training on documenting fair and reasonable pricing will be provided at multiple forums including March 2016 CT Town Hall and PCO/ACO quarterly training also in March 2016. An attendance roster will be kept for each forum.


ROBERT J. RUCH
Colonel, EN
COMMANDING

Acronyms and Abbreviations

CEHNC	U.S. Army Engineering and Support Center, Huntsville
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System-Next Generation
FSS	Federal Supply Schedules
GSA	General Services Administration
IGE	Independent Government Estimate
USACE	U.S. Army Corps of Engineers

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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