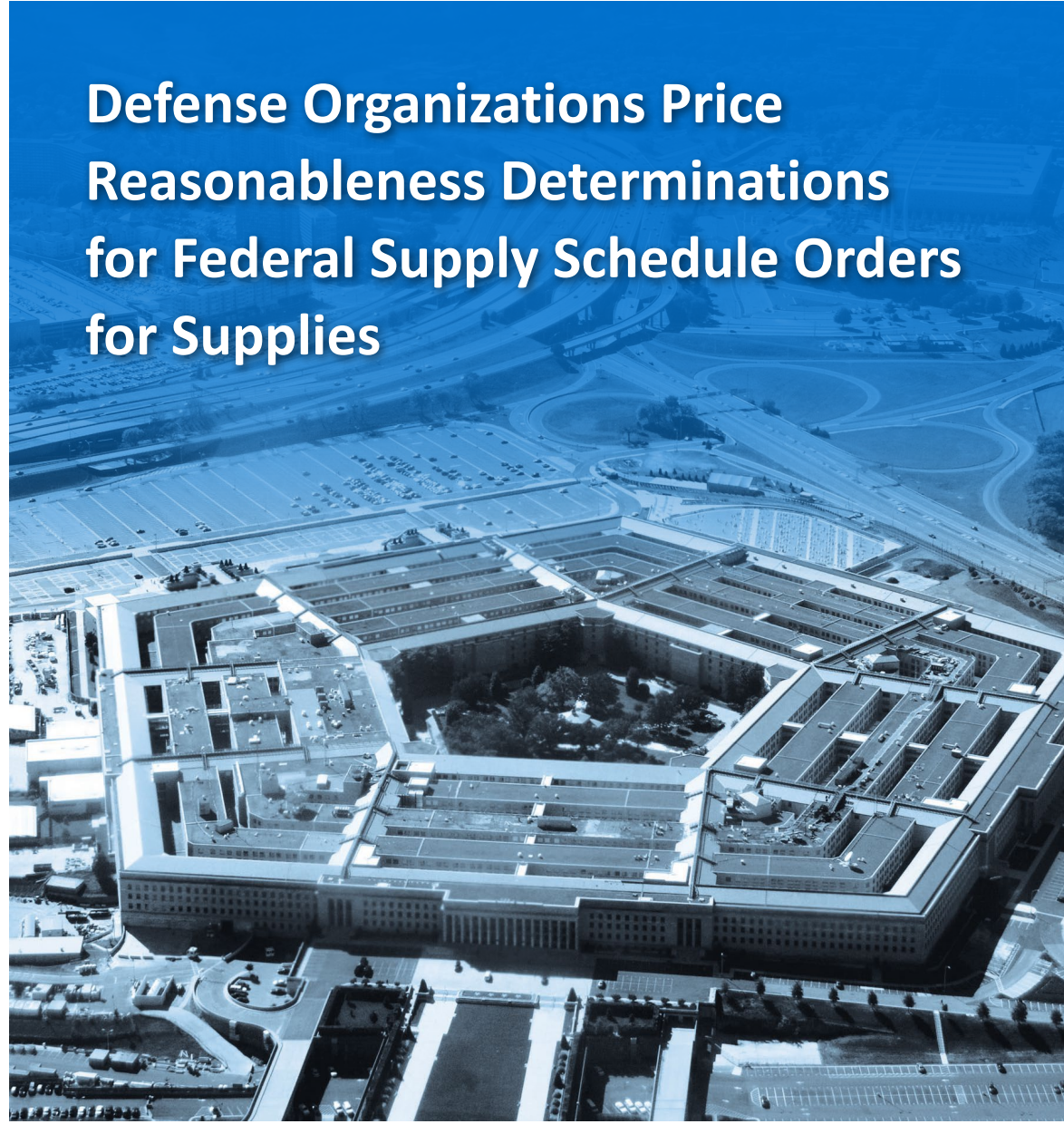




# INSPECTOR GENERAL

*U.S. Department of Defense*

AUGUST 15, 2017



## Defense Organizations Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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# Results in Brief

## *Defense Organizations Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies*

August 15, 2017

### Objective

We determined whether Defense organizations made determinations of fair and reasonable pricing for General Services Administration (GSA) Federal supply schedule orders awarded for purchases of supplies. Supplies purchased from the GSA Federal supply schedule are considered commercial items. The Federal supply schedule program allows the Government to purchase commercial supplies and services—such as software licenses, batteries, and digital maps—at prices associated with volume buying. We reviewed a nonstatistical sample of 57 orders, valued at \$48 million, at Washington Headquarters Services (WHS), DoD Human Resources Activity (DoDHRA), Defense Health Agency (DHA), and Defense Threat Reduction Agency (DTRA). This is the third and last in a series of audits on GSA Federal supply schedule orders.

### Background

The Director, Defense Procurement and Acquisition Policy (DPAP), issued policy memorandum, “Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts,” (class deviation) on March 13, 2014. The class deviation requires DoD contracting personnel to make determinations of fair and reasonable pricing for GSA Federal supply schedule orders for supplies and fixed-price services. A deviation is the issuance or use of a policy, procedure, solicitation provision, contract clause, method, or practice of conducting acquisition actions of any kind at any stage

### Background (cont’d)

of the acquisition process that is inconsistent with the Federal Acquisition Regulation. A class deviation is a change from guidance that affects more than one contract action.

### Finding

WHS, DoDHRA, and DTRA contracting officers made adequate price reasonableness determinations for 10 orders, valued at \$7.7 million. Specifically, WHS, DoDHRA, and DTRA contracting officers compared the only quote to adequately prepared independent Government estimates (IGEs), compared the only quote to historical prices that were specifically identified, or compared prices offered under two quotes. In addition, WHS, DoDHRA, and DTRA contracting officers signed and dated price reasonableness determinations for the 10 orders.

However, WHS, DoDHRA, DHA, and DTRA contracting officers did not adequately document and support whether the prices paid for 47 orders, valued at \$40.3 million, were fair and reasonable. Specifically:

- For 40 orders, WHS, DoDHRA, DHA and DTRA contracting officers did not adequately document fair and reasonable pricing. Specifically, the contracting officers did not make price reasonableness determinations, did not sign price reasonableness determinations they made, did not approve in writing price reasonableness determinations made by contract specialists, or made price reasonableness determinations after the award. A DoDHRA contracting officer stated that the contracting officer’s signature on the order certified that the price was fair and reasonable. WHS, DHA, and DTRA contracting officers stated that not signing and dating the price reasonableness determinations was an oversight.
- For 11 orders, WHS, DoDHRA, and DTRA contracting officers relied on inadequate IGEs that did not identify the source of the information because they relied on the knowledge of the preparers of the IGEs rather than



# Results in Brief

## *Defense Organizations Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies*

### **Finding (cont'd)**

asking the preparers to document and support the estimate and because they were under tight timeframes to award the orders.

- For 10 orders, WHS, DoDHRA, DHA, and DTRA contracting officers relied on the price lists of the same vendor that submitted the only quote. Contracting officers stated that they were too busy to perform additional price analysis, that the orders were sole-source awards, that they performed other price analysis but did not document the other price analysis in the contract file, or that they performed other price analysis but could not locate the documentation.
- For one order involving one quote, a DoDHRA contracting officer relied on a discount that the vendor provided as the only price analysis technique. The contracting officer had left the DoDHRA; therefore, we were unable to determine why the contracting officer relied only on the discount.
- For one order involving two quotes, a WHS contracting officer used a quote eliminated from consideration for technical reasons to make the price reasonableness determination without verifying whether the price was still valid for comparison purposes. The contracting officer had left the WHS; therefore, we were unable to determine why that occurred.
- For two orders involving one quote, the WHS contracting officers stated that they performed price analysis, but did not document the price analysis in the contract file.

In addition, the Director, DPAP, and WHS, DoDHRA, DHA, and DTRA management have not issued guidance or provided training to contracting officers related to price reasonableness determinations and price analysis for orders for supplies awarded after Defense Procurement and Acquisition Policy issued the class deviation.

During the audit, we briefed the Deputy Director for Contract Policy and International Contracting, DPAP, on our findings and proposed recommendations. The Deputy Director stated that DPAP is developing a guidebook for purchasing commercial items. The guidebook will address price reasonableness determinations and price analysis for commercial items, including supplies purchased from the GSA Federal supply schedule, which are considered to be commercial items. In addition, the Deputy Director explained that DPAP officials are coordinating with the Defense Acquisition University to develop training on the requirements in the guidebook. During this meeting, we suggested that DPAP and the Defense Acquisition University should develop the training instead of each Defense organization developing its own training to ensure consistent training across the DoD. The DPAP official agreed and stated that the recommendations should be directed to DPAP instead of the Defense organizations visited during the audit.

### **Recommendations**

We recommend that the Director, DPAP, develop and implement guidance for performing and documenting price analysis and making price reasonableness determinations for GSA Federal supply schedule orders for supplies and develop training for contracting personnel on the guidance.

### **Management Comments and Our Response**

The Deputy Director for Contract Policy and International Contracting, DPAP, responding for the Director, DPAP, agreed with our finding and recommendations to provide guidance and develop training. The recommendations are resolved but will remain open. We will close the recommendations once we verify that DPAP has issued the guidance and developed the training. Please see the Recommendations Table on the next page.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Procurement and Acquisition Policy	None	1.a, 1.b	None

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.





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

August 15, 2017

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
ASSISTANT SECRETARY OF DEFENSE FOR HEALTH AFFAIRS  
DIRECTOR, DEFENSE THREAT REDUCTION AGENCY  
DIRECTOR, DEFENSE HEALTH AGENCY  
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES  
DIRECTOR, DEPARTMENT OF DEFENSE HUMAN RESOURCES ACTIVITY

SUBJECT: Defense Organizations Price Reasonableness Determinations for Federal Supply  
Schedule Orders for Supplies (Report No. DODIG-2017-112)

We are providing this report for your information and use. Washington Headquarters Services, Department of Defense Human Resources Activity, and Defense Threat Reduction Agency contracting officers made adequate price reasonableness determinations for 10 orders, valued at \$7.7 million, of 57 orders, valued at \$48 million. However, Washington Headquarters Services, Department of Defense Human Resources Activity, Defense Health Agency, and Defense Threat Reduction Agency contracting officers did not adequately document and support whether the prices paid for 47 orders, valued at \$40.3 million, were fair and reasonable. 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 Director, Defense Procurement and Acquisition Policy, 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 664-8918).

A handwritten signature in black ink, appearing to read "M. 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

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## Objective

We determined whether contracting officers at Defense organizations made determinations of fair and reasonable pricing for General Services Administration (GSA) Federal supply schedule (FSS) orders awarded for purchases of supplies. The Defense organizations we audited were the Washington Headquarters Services (WHS), the Department of Defense Human Resource Activity (DoDHRA), the Defense Threat Reduction Agency (DTRA), and the Defense Health Agency (DHA). See Appendix A for a discussion of the scope and methodology and a discussion of the two previous DoD Office of Inspector General audit reports in this series.

## 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, the GSA awards indefinite-delivery contracts to provide supplies and services at discounted prices for the term of the contract.<sup>1</sup> The Federal Acquisition Regulation (FAR) states that the GSA has already determined that the prices of supplies and fixed-price services, as well as rates for services offered at hourly rates, under FSS schedule contracts are fair and reasonable.<sup>2</sup> Therefore, ordering activities are not required to make separate price reasonableness determinations for individual orders placed against the indefinite-delivery contracts.

## Class Deviation

The Director, Defense Procurement and Acquisition Policy (DPAP), issued a policy memorandum, “Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts,” (class deviation) on March 13, 2014. The FAR 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 stage of the acquisition process that is inconsistent with the FAR.<sup>3</sup> The FAR defines a class deviation as a deviation that affects more than one contract action.<sup>4</sup> The class deviation, a change from

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<sup>1</sup> According to FAR 16.501-2, there are three types of indefinite-delivery contracts: (1) definite-quantity contracts, (2) requirements contracts, and (3) indefinite-quantity contracts. These types of contracts are used when GSA cannot determine the precise times and/or precise quantities of supplies or services that the Government will require during the contract period.

<sup>2</sup> FAR Part 8, “Required Sources of Supplies and Services,” Subpart 8.4, “Federal Supply Schedules,” 8.404(d), “Pricing.”

<sup>3</sup> FAR Part 1, “Federal Acquisition Regulations System,” Subpart 1.4, “Deviations from the FAR,” 1.401, “Definition.”

<sup>4</sup> FAR Part 1, “Federal Acquisition Regulations System,” Subpart 1.4, “Deviations from the FAR,” 1.404, “Class Deviations.”

FAR 8.404(d), requires DoD contracting personnel to make determinations of fair and reasonable pricing for GSA FSS orders (hereafter referred to as orders) for supplies and fixed price services. The class deviation states:

Supplies offered on the [Federal Supply] 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 [FAR] 15.404-1.<sup>5</sup> The complexity and circumstances of each acquisition should determine the level of detail of the analysis required.

The class deviation remains in effect until its requirements are incorporated in the Defense Federal Acquisition Regulation Supplement or it is otherwise rescinded.

## Price Analysis and Price Reasonableness Determinations

Contracting officers use price analysis to support conclusions that the proposed prices are fair and reasonable for orders. Price analysis may include a comparison of proposed prices from two or more quotes or a comparison of proposed prices to historical information, independent Government estimates (IGEs), competitive published price lists, or market research. Contracting officers are required to state in writing whether the proposed prices are fair and reasonable in a price reasonableness determinations document.

Documentation is a necessary part of an effective internal control system. The FAR requires contracting officers to document their rationale for acquisition decisions and maintain a record of all contract actions in contract files. "The documentation in the files . . . shall be sufficient to constitute a complete history of the transaction."<sup>6</sup> Part of the history of the transaction is which contracting officers prepared the price reasonableness determination. According to the FAR, examples of documentation that the contracting officer should include in the contract files are the IGE, source selection documentation, and data and information related to the contracting officer's determination of a fair and reasonable price.<sup>7</sup>

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<sup>5</sup> FAR Part 15, "Contracting by Negotiation," Subpart 15.4, "Contract Pricing," 15.404-1, "Proposal Analysis Techniques."

<sup>6</sup> FAR Part 4, "Administrative Matters," Subpart 4.8, "Government Contract Files," 4.801, "General."

<sup>7</sup> FAR Part 4, "Administrative Matters," Subpart 4.8, "Government Contract Files," 4.803, "Contents of Contract Files."

## Audit Universe and Scope

We used the Federal Procurement Data System–Next Generation (FPDS-NG) to identify a universe of contracts for supplies awarded by Defense organization contracting personnel from March 14, 2014, through September 30, 2016.<sup>8</sup> The universe consisted of 365 orders, valued at \$252.9 million.

We selected the WHS, DoDHRA, DHA, and DTRA because, according to FPDS-NG, their contracting officers awarded more orders involving only one quote in response to a request for quotation than other Defense organizations located in the Washington, D.C. area. We nonstatistically selected 57 orders, valued at \$48 million, for review. The 57 orders consisted of 39 orders, valued at \$33.4 million, involving one quote and 18 orders, valued at \$14.6 million, involving two quotes. We reviewed the 18 orders to confirm that competition occurred and that competition was the basis for supporting contracting officers' determinations of fair and reasonable pricing.

See Appendix B for a list of the 57 orders reviewed. The orders reviewed are by Defense organization as shown in the following table.

*Table 1. Defense Organizations and Orders Selected For Review*

Defense Organization	One-Quote Orders	Order Value (in thousands rounded)	Two-Quote Orders	Order Value (in thousands rounded)	Total No. of Orders Selected for Review	Total Value of Orders Selected for Review (in thousands rounded)
WHS	20	\$19,475	4	\$2,137	24	\$21,612
DoDHRA	7	4,680	8	9,131	15	13,811
DHA	8	6,123	2	968	10	7,091
DTRA	4	3,077	4	2,401	8	5,478
<b>Total</b>	<b>39</b>	<b>\$33,355</b>	<b>18</b>	<b>\$14,637</b>	<b>57</b>	<b>\$47,992</b>

Note: Amounts are rounded.  
Source: DoD OIG.

<sup>8</sup> FPDS-NG is a web-based tool that contracting personnel use to report contract actions.

## Review of Internal Controls

DoD Instruction 5010.40 requires Defense 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.<sup>9</sup> We identified internal control weaknesses at the WHS, DoDHRA, DHA, and DTRA. Specifically, WHS, DoDHRA, DHA, and DTRA contracting officers did not document or support their price reasonableness determinations. We will provide a copy of the report to the senior official responsible for internal controls at the WHS, DoDHRA, DHA, and DTRA.

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<sup>9</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding

### Defense Organization Contracting Officers Did Not Always Make Adequate Fair and Reasonable Price Determinations

WHS, DoDHRA, and DTRA contracting officers made adequate price reasonableness determinations for 10 orders, valued at \$7.7 million, of 57 orders, valued at \$48 million. Specifically, WHS, DoDHRA, and DTRA contracting officers compared the only quote to adequately prepared IGEs, compared the only quote to historical prices that were specifically identified, or compared prices offered under two quotes.<sup>10</sup> In addition, WHS, DoDHRA, and DTRA contracting officers signed and dated price reasonableness determinations for the 10 orders.

However, WHS, DoDHRA, DHA, and DTRA contracting officers did not adequately document and support whether the prices paid for 47 orders, valued at \$40.3 million, were fair and reasonable.<sup>11</sup> Specifically:

- For 40 orders, WHS, DoDHRA, DHA and DTRA contracting officers did not adequately document fair and reasonable pricing. Specifically, the contracting officers did not make price reasonableness determinations, did not sign price reasonableness determinations they made, did not approve in writing price reasonableness determinations made by contract specialists, or made price reasonableness determinations after the award. A DoDHRA contracting officer stated that the contracting officer's signature on the order certified that the price was fair and reasonable. WHS, DHA, and DTRA contracting officers stated that not signing and dating the price reasonableness determinations was an oversight.
- For 11 orders, WHS, DoDHRA, and DTRA contracting officers relied on inadequate IGEs that did not identify the source of the information because they relied on the knowledge of the preparers of the IGEs rather than asking the preparers to document and support the estimate and because they were under tight timeframes to award the orders.<sup>12</sup>

<sup>10</sup> FAR subpart 8.4 uses the term "quote" to refer to offers made by prospective vendors competing for orders placed under the GSA FSS. However, the class deviation requires contracting officers to use the price analysis techniques under FAR 15.404-1, which uses the term "proposal." In this report, we use the term "quote" in reference to the offers received for the 57 orders reviewed.

<sup>11</sup> Each of the 47 orders had one or more of the identified problems.

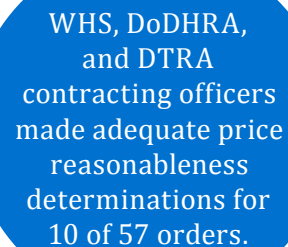
<sup>12</sup> Nine of the orders involved one quote, and two orders involved two quotes.

- For 10 orders, WHS, DoDHRA, DHA, and DTRA contracting officers relied on the price lists of the same vendor that submitted the only quote.<sup>13</sup> Contracting officers stated that they were too busy to perform additional price analysis, that the orders were sole-source awards, that they performed other price analysis but did not document it in the contract file, or that they performed other price analysis but could not locate the documentation.
- For one order involving one quote, a DoDHRA contracting officer relied on a discount that the vendor provided as the only price analysis technique. The contracting officer had left the DoDHRA; therefore, we were unable to determine why that occurred.
- For one order involving two quotes, a WHS contracting officer used a quote eliminated from consideration for technical reasons to make the price reasonableness determination without verifying whether the price was still valid for comparison purposes. The contracting officer had left the WHS; therefore, we were unable to determine why that occurred.
- For two orders involving one quote, the WHS contracting officers did not perform any price analysis. The contracting officers stated that they performed price analysis, but did not document the price analysis in the contract file.

In addition, the Director, DPAP, and WHS, DoDHRA, DHA, and DTRA management had not provided contracting personnel with guidance and training for making price reasonableness determinations and performing price analysis for orders for supplies awarded after DPAP issued the class deviation. As a result, WHS, DoDHRA, DHA, and DTRA customers may have paid more than they should have for the supplies purchased.

## Price Reasonableness Determinations Were Made and Supported for 10 Orders

WHS, DoDHRA, and DTRA contracting officers made adequate price reasonableness determinations for 10 orders, valued at \$7.7 million, of 57 orders, valued at \$48 million. Specifically, WHS, DoDHRA, and DTRA contracting officers compared the only quote to adequately prepared IGEs, compared the only quote to historical prices that were specifically identified, or compared prices



WHS, DoDHRA, and DTRA contracting officers made adequate price reasonableness determinations for 10 of 57 orders.

<sup>13</sup> Nine of the orders involved one quote. One of the orders initially involved two quotes. However, one quote was determined to be technically unacceptable.



offered under two quotes.<sup>14</sup> In addition, WHS, DoDHRA, and DTRA contracting officers demonstrated good business practices by signing and dating price reasonableness determinations for the 10 orders. The FAR requires contracting officers to document fair and reasonable pricing.<sup>15,16</sup> Table 2 summarizes the orders where WHS, DoDHRA, and DTRA contracting officers made adequate price reasonableness determinations supported by adequate price analysis.

*Table 2. Orders Where WHS, DoDHRA, and DTRA Contracting Officers Made Adequate Price Reasonableness Determinations*

Order Number	Defense Organization	Order Amount (in thousands rounded)	Date Order Awarded	Price Analysis Consisted of Comparison of Quote to:	Price Reasonableness Determination Signed and Dated	Number of Quotes
1. HQ0034-14-F-0196	WHS	\$151	7/31/2014	IGE	Yes	1
2. HQ0034-15-F-0113	WHS	349	7/20/2015	IGE	Yes	1
3. HDTRA1-16-F-0006	DTRA	271	3/1/2016	IGE	Yes	1
4. HDTRA1-16-F-0016	DTRA	678	6/28/2016	IGE	Yes	2
<b>Sub-Total (4)</b>		<b>\$1,449</b>				
5. HQ0034-16-F-0019	WHS	220	2/9/2016	Historical Information	Yes	1
6. HQ0034-16-F-0075	WHS	743	6/15/2016	Historical Information	Yes	1
7. HQ0034-14-F-0211	WHS	216	8/17/2014	Historical Information	Yes	1
8. HQ0034-15-F-0056	WHS	3,992	3/10/2015	Historical Information	Yes	1
9. H98210-14-F-0090	DoDHRA	775	8/19/2014	Historical Information	Yes	1
<b>Sub-Total (5)</b>		<b>\$5,946</b>				
10. HQ0034-14-F-0148	WHS	331	6/16/2014	Comparison of Two Quotes	Yes	2
<b>Sub-Total (1)</b>		<b>\$331</b>				
<b>Overall Total (10)</b>		<b>\$7,726</b>				

Note: Amounts are rounded.

Source: DoD OIG.

<sup>14</sup> FAR subpart 8.4 uses the term “quote” to refer to offers made by prospective vendors competing for orders placed under the GSA FSS. However, the class deviation requires contracting officers to use the price analysis techniques under FAR 15.404-1, which uses the term “proposal.” In this report, we use the term “quote” in reference to the offers received for the 57 orders reviewed.

<sup>15</sup> FAR 4.803.

<sup>16</sup> FAR Part 15, “Contracting by Negotiation,” Subpart 15.4, “Contract Pricing,” 15.406, “Documentation,” 15.406 3, “Documenting the negotiation.”

The specific historical and IGE information referred to in Table 2 consisted of pricing information from previously awarded contracts. The following examples identify two orders where the contracting officers used an adequately prepared IGE and specific historical information to support that the prices paid were fair and reasonable.

- **Order HDTRA1-16-F-0016.** On June 28, 2016, a DTRA contracting officer awarded this order, valued at \$677,883, for software and maintenance after receiving two quotes. However, the contracting officer determined that only one quote was technically acceptable. The contracting officer's price analysis consisted of comparing the quote to the IGE. The IGE was adequate because the preparer signed it, dated it, and identified the source of the information, the prior DTRA contract HDTRA1-13-F-0034. The contracting officer also signed and dated the price reasonableness determination.
- **Order HQ0034-14-F-0211.** On August 17, 2014, a WHS contracting officer awarded this order, valued at \$216,171, for software licenses and renewal after receiving one quote. The contracting officer's price analysis consisted of comparing the only quote to historical information. The price analysis was adequate because the contracting officer identified the specific source of the historical information—prior WHS contract HQ0034-13-F-0180. The contracting officer also signed and dated the price reasonableness determination.

## Price Reasonableness Was Not Adequately Determined for 47 Orders

WHS, DoDHRA, DHA, and DTRA contracting officers did not adequately document and support whether the prices paid for 47 orders, valued at \$40.3 million, were fair and reasonable. Specifically, each of the 47 orders had one or more of the following problems.

- For 40 orders, WHS, DoDHRA, DHA and DTRA contracting officers did not adequately document fair and reasonable pricing. The FAR requires contracting officers to document fair and reasonable pricing. We determined that contracting officers did not adequately document fair and reasonable pricing because they either did not make price reasonableness determinations, did not sign price reasonableness determinations they made, did not approve in writing price reasonableness determinations made by contract specialists, or made price reasonableness determinations after the award.

WHS, DoDHRA, DHA, and DTRA contracting officers did not adequately document and support whether the prices paid for 47 orders, valued at \$40.3 million, were fair and reasonable.

- For 11 orders, WHS, DoDHRA, and DTRA contracting officers relied on inadequate IGEs that did not identify the source of the information.
- For 10 orders, WHS, DoDHRA, DHA, and DTRA contracting officers relied on the price lists of the same vendor that submitted the only quote.
- For one order involving one quote, a DoDHRA contracting officer relied on a discount that the vendor provided as the only price analysis technique.
- For one order involving two quotes, a WHS contracting officer used a quote eliminated from consideration for technical reasons to make the price reasonableness determination without verifying whether the price was still valid for comparison purposes.
- For two orders involving one quote, a WHS contracting officer did not perform any price analysis.

The Defense Federal Acquisition Regulation Supplement requires DoD contracting personnel to follow the procedures under Procedures, Guidance, and Information when conducting cost or price analysis. However, the Director, DPAP, and WHS,<sup>17, 18</sup> DoDHRA, DHA, and DTRA management had not issued similar guidance or provided training to contracting officers after DPAP issued the class deviation.

### ***Contracting Officers Did Not Adequately Document Price Reasonableness Determinations for 40 Orders***

For 40 orders, WHS, DoDHRA, DHA and DTRA contracting officers did not adequately document fair and reasonable pricing. The FAR requires contracting officers to document fair and reasonable pricing.<sup>19</sup> However, the contracting officers did not make price reasonableness determinations, did not sign price reasonableness determinations they made, did not approve in writing price reasonableness determinations made by contract specialists, or made price reasonableness determinations after the award. A DoDHRA contracting officer responding for 14 of the 40 orders stated that the contracting officer's signature on the order certified that the price was fair and reasonable. However, the same contracting officer also stated that, without a signature, there was no way to confirm that a

<sup>17</sup> Defense Federal Acquisition Regulation Supplement Part 215, "Contracting by Negotiation," Subpart 215.4, "Contract Pricing," 215.402, "Pricing Policy."

<sup>18</sup> Relevant procedures, guidance, and information that do not meet the criteria for inclusion in the Defense Federal Acquisition Regulation Supplement are issued in the companion resource—Procedures, Guidance, and Information. Unclassified, nonconfidential memoranda, guidance, and other DPAP procurement-related policy documents can be found in the corresponding Procedures, Guidance, and Information subpart.

<sup>19</sup> FAR 4.803 and FAR 15.406-3.

contracting officer reviewed the document containing the price reasonableness determination. WHS, DHA, and DTRA contracting officers stated that not signing and dating the price reasonableness determinations was an oversight.

- **Order HQ0034-15-F-0019.** On December 23, 2014, a WHS contracting officer awarded order HQ0034-15-F-0019, valued at \$3,981,986, for the purchase of a SharePoint application platform. However, the contracting officer did not certify in writing that the price paid was fair and reasonable until December 30, 2014, after the order was awarded.
- **Order H98210-15-F-0018.** On January 21, 2015, a DoDHRA contracting officer awarded order H98210-15-F-0018, valued at \$2,090,298, for the purchase of hardware and software. However, the contracting officer did not approve in writing the contract specialist's price reasonableness determinations.
- **Order HT0011-16-F-0004.** On December 30, 2015, a DHA contracting officer awarded order HT0011-16-F-0004, valued at \$2,474,960, for the renewal of an online electronic subscription for a Teton Data Systems database. However, the contract file did not include documentation showing that the contracting officer made a price reasonableness determination.
- **Order HDTRA1-14-F-0013.** On June 13, 2014, a DTRA contracting officer awarded order HDTRA1-14-F-0013, valued at \$2,292,912, for the purchase of an ESRI Enterprise License Agreement. While the contract file included a price reasonableness determination, the document did not include a signature by a contracting officer.

DoDHRA contracting officers stated that they did not sign and date price reasonableness determinations because the contracting officer's signatures on the order award documents certified that the price paid was fair and reasonable. We took the position that the statement that the price is fair and reasonable, along with the contracting officer's signature, demonstrates contracting officer compliance with the class deviation and the documentation requirements in the FAR.<sup>20</sup> The class deviation requires contracting officers to make price reasonableness determinations for individual orders, such as the GSA FSS orders we reviewed during the audit. In addition, we identified the contracting officer signature on the price reasonableness document as a best business practice. WHS, DHA, and DTRA contracting officers stated that not signing and dating the price reasonableness determinations was an oversight. Appendix D summarizes the 40 orders where WHS, DoDHRA, DHA, and DTRA contracting officers did not sign and date the price reasonableness determinations.

<sup>20</sup> FAR 4.801, FAR 4.803, and FAR 15.406-3.

## Contracting Officers Used Inadequate IGEs for 11 Orders

WHS, DoDHRA, and DTRA contracting officers used the comparison of the only acceptable quote with inadequate IGEs as a price analysis technique for 11 orders.

WHS, DoDHRA, and DTRA contracting officers used the comparison of the only acceptable quote with inadequate IGEs as a price analysis technique for 11 orders. The IGEs were inadequate because they did not identify the specific sources of the information. FAR 15.404-1 states that contracting officers may establish price reasonableness by comparing proposed prices to IGEs. A DPAP memorandum states that the contracting officer should analyze the IGE to determine how the IGE was developed, what assumptions were made, what information and estimating tools were used, where the information was obtained, and how previous estimates compared with prices paid.<sup>21</sup> Contracting officers stated that they relied on IGEs that did not identify the source of the information because they relied on the knowledge of the preparers of the IGEs rather than asking the preparers to document and support the estimate and because they were under tight timeframes to award the orders. Table 3 summarizes the orders where WHS, DoDHRA, and DTRA contracting officers used inadequate IGEs that did not support their price reasonableness determinations.

Table 3. Orders Where WHS, DoDHRA, and DTRA Contracting Officers Relied On Inadequate IGEs

Order Number	Order Amount (in thousands rounded)	Date Awarded	Number of Quotes
<b>WHS</b>			
1. HQ0034-15-F-0019	\$3,982	12/23/2014	1
2. HQ0034-14-F-0287	756	9/24/2014	1
3. HQ0034-14-F-0222	650	8/25/2014	1
4. HQ0034-14-F-0208	622	8/7/2014	1
5. HQ0034-14-F-0265	595	9/17/2014	1
6. HQ0034-14-F-0256	367	9/17/2014	1
7. HQ0034-15-F-0144	204	9/25/2015	2
<b>Sub-Total (7 Orders)</b>	<b>\$7,176</b>		

<sup>21</sup> DPAP Memorandum “Contracting Practices-Independent Government Estimates, Government Surveillance, and Contract Quality Assurance,” September 17, 2007.

*Table 3. Orders Where WHS, DoDHRA, and DTRA Contracting Officers Relied On Inadequate IGEs (cont'd)*

Order Number	Order Amount (in thousands rounded)	Date Awarded	Number of Quotes
<b>DoDHRA</b>			
8. H98210-16-F-0002	1,067	12/2/2015	1
<b>Sub-Total (1 Order)</b>	<b>\$1,067</b>		
<b>DTRA</b>			
9. HDTRA1-14-F-0013	2,293	6/13/2014	1
10. HDTRA1-15-F-0026	260	8/27/2015	1
11. HDTRA1-15-F-0045	254	9/29/2015	2
<b>Sub-Total (3 Orders)</b>	<b>\$2,807</b>		
<b>Total (11 Orders)</b>	<b>\$11,050</b>		

Note: Amounts are rounded.  
Source: DoD OIG.

The following example identifies an order where a WHS contracting officer compared an inadequate IGE to the only quote to determine that the price paid was fair and reasonable.

- HQ0034-14-F-0265.** On September 17, 2014, a WHS contracting officer awarded order HQ0034-14-F-0265, valued at \$594,938, for the purchase of office furniture. The contracting officer compared the only quote to the IGE as the price analysis technique. However, the preparer did not sign or date the IGE or identify the source of the information. The contracting officer stated that she did not ask the IGE preparer to provide the source of the information and could not explain why she did not do that.

### ***Contracting Officers Relied on the Price List of the Same Vendor That Submitted the Only Quotes for 10 Orders***

WHS, DoDHRA, DHA, and DTRA contracting officers relied on the price list of the same vendor that submitted the only acceptable quote as the price analysis technique for 10 orders. While FAR 15.404-1 cites comparison with competitive published price lists as a price analysis technique, comparing the vendor's proposed price to the same vendor's published price list is not a valid basis for determining that the proposed price is fair and reasonable. Contracting officers stated that they were too busy to perform additional price analysis, that the orders were sole-source awards, that they performed other price analysis but did not document their analysis in the contract file, or that they performed other price analysis but could not locate the documentation. Table 4 summarizes the orders where contracting officers relied on the pricelist of the same vendor that submitted the quote.

*Table 4. Orders Where WHS, DoDHRA, DHA, and DTRA Contracting Officers Relied On Price List of Same Vendor That Submitted the Only Quote for Price Reasonableness Determinations*

Order Number	Order Amount (in thousands rounded)	Date Awarded	Number of Quotes
<b>WHS</b>			
1. HQ0034-14-F-0222	\$650	8/25/2014	1
2. HQ0034-14-F-0208	622	8/7/2014	1
<b>Sub-Total (2 Orders)</b>	<b>\$1,272</b>		
<b>DoDHRA</b>			
3. H98210-16-F-0002	1,067	12/2/2015	1
<b>Sub-Total (1 Order)</b>	<b>\$1,067</b>		
<b>DHA</b>			
4. HT0014-15-F-0192	800	9/9/2015	1
5. HT0014-15-F-0035	397	12/12/2014	1
6. HT0014-15-F-3412	206	10/1/2014	1
7. HT0014-15-F-0013	188	10/27/2014	1
<b>Sub Total (4 Orders)</b>	<b>\$1,591</b>		
<b>DTRA</b>			
8. HDTRA1-14-F-0013	2,293	6/13/2014	1
9. HDTRA1-15-F-0026	260	8/27/2015	1
10. HDTRA1-15-F-0045	254	9/29/2015	2
<b>Sub-Total (3 Orders)</b>	<b>\$2,807</b>		
<b>Total (10 Orders)</b>	<b>\$6,737</b>		

Note: Amounts are rounded.  
Source: DoD OIG.

For example, the DHA contracting officer relied on the comparison of the only quote received to the price list of the same vendor that submitted the quote as the only price analysis performed for orders:

- HT0014-15-F-0192 for hospital telephone switchboard and operator services,
- HT0014-15-F-0035 for scientific equipment and services, and
- HT0014-15-F-3412 for interpreter or translator services.

The contracting officer stated that this price analysis technique was adequate because all three orders were sole-source awards. However, the fact that the orders were sole-source did not preclude the contracting officer from performing additional price analysis, for example, comparing the quote to the IGE.

### ***A DoDHRA Contracting Officer Relied on a Vendor Discount to Establish Price Reasonableness for One Order***

According to documents in the contracting file, a DoDHRA contracting officer relied on a discount that the vendor provided as the only price analysis technique for order H98210-15-F-0015, valued at \$828,690. The contracting officer had left the DoDHRA and had not documented in the contracting file any additional price analysis. Therefore, we were unable to determine why that occurred. The order involved one quote.

### ***A WHS Contracting Officer Relied on a Technically Unacceptable Quote for One Order***

According to documentation in the contract file, a WHS contracting officer used a quote eliminated from consideration for technical reasons to make the price reasonableness determination without verifying whether the price was still valid for comparison purposes for order HQ0034-15-F-0144, valued at \$203,606. The contracting officer had left WHS; therefore, we were unable to determine why that occurred. The order involved two quotes.

### ***Contracting Officers Did Not Perform Price Analysis for Two Orders***

For orders HQ0034-14-F-0272 and HQ0034-14-F-0089, WHS contracting officers did not perform any price analysis. The contracting officers stated that they performed price analysis, but did not document the price analysis in the contract file.

## **Clear Guidance for Implementing the Class Deviation Was Not Issued and Contracting Officers Were Not Trained**

The Director, DPAP, and WHS, DoDHRA, DHA, and DTRA management have not issued guidance or provided training to contracting officers related to price reasonableness determinations and price analysis for orders for supplies awarded after DPAP issued the class deviation. However, according to the DPAP Deputy Director for Contract Policy and International Contracting, DPAP is developing a guidebook for purchasing commercial items. The Deputy Director also stated that



the guidebook will address price reasonableness determinations and price analysis for commercial items, including supplies purchased from the GSA FSS, which are considered commercial items. In addition, we met with the DPAP Deputy Director during the audit to brief the proposed findings and recommendations. DPAP officials stated that they are coordinating with the Defense Acquisition University to develop training on the requirements in the guidebook. We agree that DPAP and the Defense Acquisition University should develop the training instead of each Defense organization developing its own training to ensure that the training would be consistent across the DoD. The Director, DPAP, should develop and implement guidance for performing and documenting price analysis and making price reasonableness determinations for GSA FSS orders for supplies and develop training for contracting personnel on the guidance.

## Conclusion

WHS, DoDHRA, and DTRA contracting officers made adequate price reasonableness determinations for 10 orders, valued at \$7.7 million, of 57 orders, valued at \$48 million. Specifically, WHS, DoDHRA, and DTRA contracting officers compared the only quote to adequately prepared IGEs, compared the only quote to historical prices that were specifically identified, or compared prices offered under two quotes. In addition, while not specifically required by the FAR or the class deviation, WHS, DoDHRA, and DTRA contracting officers demonstrated that they had either made or approved price reasonableness determinations by signing the document that included the price reasonableness determination. The FAR requires contracting officers to document fair and reasonable pricing.<sup>22</sup>

The FAR requires contracting officers to document their rationale for acquisition decisions and maintain a record of all contract actions in contract files that is sufficient to summarize a complete history of the transaction.<sup>23</sup> Part of the history of the transaction is which contracting officers prepared the price reasonableness determination. However, WHS, DoDHRA, DHA, and DTRA contracting officers relied on inadequate and, in some instances, no documentation when performing price analysis and making price reasonableness determinations for 47 orders, valued at \$40.3 million. As a result, WHS, DoDHRA, DHA, and DTRA customers may have paid more than they should have for supplies purchased.

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<sup>22</sup> FAR 15.406-3.

<sup>23</sup> FAR 4.801.

## Recommendations, Management Comments, and Our Response

### **Recommendation 1**

We recommend that the Director, Defense Procurement and Acquisition Policy:

- a. **Develop and implement guidance for performing and documenting price analysis and making price reasonableness determinations for General Services Administration Federal supply schedule orders for supplies.**

#### *Director, Defense Procurement and Acquisition Policy, Comments*

The Deputy Director for Contract Policy and International Contracting, DPAP, responding for the Director, DPAP, agreed, stating that DPAP developed text for inclusion in the Guidebook for Acquiring Commercial Items which addresses guidance for DoD contracting officers regarding items acquired through the GSA FSS. DPAP plans to issue the Guidebook by the end of FY 2017.

- b. **Develop training for contracting office personnel on the guidance for performing and documenting price analysis and making price reasonableness determinations for General Services Administration Federal supply schedule orders for supplies.**

#### *Director, Defense Procurement and Acquisition Policy, Comments*

The Deputy Director for Contract Policy and International Contracting, DPAP, responding for the Director, DPAP, agreed, stating that the Defense Acquisition University plans to incorporate a GSA FSS scenario into Lesson 4 of the CON 170, "Fundamentals of Cost and Price Analysis," course by the end of the first quarter, FY 2018. The change has been incorporated into the Defense Acquisition University's Contract Pricing Reference Guide, Volume 1.

#### *Our Response*

The Deputy Director addressed all specifics of the recommendations, and no further comments are required. These recommendations are resolved but will remain open. We will close the recommendations once we verify that DPAP has issued the guidebook and the Defense Acquisition University updated CON 170.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from December 2016 through June 2017, 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 the FPDS-NG to identify a universe of contracts for supplies awarded by Defense organization contracting personnel from March 14, 2014, through September 30, 2016. The universe consisted of 365 orders, valued at \$252.9 million.

We selected WHS, DoDHRA, DHA, and DTRA because, according to FPDS-NG, their contracting officers awarded more orders involving only one quote in response to a request for quotation than other Defense organizations located in the Washington, D.C. area. We nonstatistically selected 57 orders, valued at \$48 million, for review. See Appendix B for a list of the 57 orders reviewed.

### Work Performed

We collected, reviewed, and analyzed documents for 57 orders, valued at \$48 million, to determine whether WHS, DoDHRA, DHA, and DTRA contracting officers made adequate determinations of fair and reasonable pricing. We obtained documentation from the contract files, which included orders, vendor quotes, contracting officer's price reasonableness determinations, and IGEs. We took the position that the statement that the price is fair and reasonable, along with the contracting officer's signature, demonstrates contracting officer compliance with the class deviation. The class deviation requires contracting officers to make price reasonableness determinations for individual orders, such as the GSA FSS orders we reviewed during the audit. In addition, we identified the contracting officer signature on the price reasonableness document as a best business practice. We reviewed documentation dated from September 2007 to May 2017.

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

- FAR Subpart 4.8, "Government Contract Files;"
- FAR Subpart 8.4, "Federal Supply Schedules;"

- FAR Subpart 15.4, “Contract Pricing;”
- DPAP Memorandum, “Contracting Practices-Independent Government Estimates, Government Surveillance, and Contract Quality Assurance,” September 17, 2007; and
- Director, DPAP, “Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts,” March 13, 2014.

We interviewed contracting personnel from WHS, DoDHRA, DHA, and DTRA who awarded the orders to determine whether they were aware of the class deviation and to analyze their documentation of price analysis and price reasonableness determinations. We also met with the Deputy Director for Contract Policy and International Contracting, DPAP, to discuss issues we identified during our review of price reasonableness documentation and meetings with WHS, DoDHRA, DHA, and DTRA contracting personnel.

## Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

## Use of Technical Assistance

We received technical assistance from the Department of Defense Office of Inspector General Quantitative Methods Division to select a nonstatistical sample of orders to review.

## Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Office of Inspector General (DoD OIG) issued three reports discussing the class deviation since it became effective on March 13, 2014. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

## GAO

Report No. GAO-15-590, “Federal Supply Schedules: More Attention Needed to Competition and Prices,” July 9, 2015

The GAO’s analysis of publicly reported Federal procurement data shows that Federal use of the FSS program has declined from \$31.8 billion in 2010 to \$25.7 billion in 2014—a 19-percent inflation-adjusted decrease. Agencies are paying insufficient attention to prices when using the FSS. Ordering agencies did not consistently seek discounts from schedule prices, even when required by the FAR. In addition, the GAO found cases in which officials did not assess prices for certain items, as required, or had insufficient information to assess prices.

**DoD OIG**

Report No. DODIG-2017-031, "Fleet Logistics Center Norfolk Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies Need Improvement," December 7, 2016

For this audit, the second in a series on GSA FSS orders awarded for purchases of supplies, we reviewed 35 orders, valued at \$28.8 million. For 21 of those orders, valued at \$21 million, U.S. Naval Supply Systems Command Fleet Logistics Center Norfolk contracting personnel did not adequately document and support whether the prices paid were fair and reasonable.

Report No. DODIG-2016-069, "U.S. Army Engineering and Support Center, Huntsville, Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies Need Improvement," March 29, 2016

For this audit, the first in a series on GSA FSS orders awarded for purchases of supplies, we reviewed 33 orders, valued at \$13.6 million. For 25 of those orders, valued at \$10 million, U.S. Army Engineering and Support Center, Huntsville contracting personnel did not adequately document and support their price reasonableness determinations.

## Appendix B

### General Services Administration Federal Supply Schedule Orders Reviewed

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Description of Supplies Purchased
<b>Washington Headquarters Services One-Quote and Two-Quote Orders Reviewed</b>			
1. HQ0034-15-F-0056	\$3,992	1	Defense Acquisition Visibility Environment support
2. HQ0034-15-F-0019	3,982	1	SharePoint application platform
3. HQ0034-14-F-0147	2,130	1	Audiovisual and video teleconference support
4. HQ0034-14-F-0266	1,417	1	Software license and maintenance agreement and professional services
5. HQ0034-14-F-0287	756	1	Radio-frequency shielded enclosures
6. HQ0034-14-F-0272	754	1	Enterprise license renewal
7. HQ0034-14-F-0088	752	1	Automated data processing support equipment
8. HQ0034-16-F-0075	743	1	Software license
9. HQ0034-14-F-0222	650	1	Software maintenance renewal
10. HQ0034-14-F-0208	622	1	Licenses and maintenance
11. HQ0034-14-F-0265	595	1	Office furniture
12. HQ0034-15-F-0090	547	1	Software and maintenance
13. HQ0034-14-F-0250	499	1	Adobe Creative Cloud Desktop license
14. HQ0034-15-F-0018	496	1	Procure and upgrade existing software license
15. HQ0034-14-F-0256	367	1	Audio visual upgrades
16. HQ0034-15-F-0113	349	1	Software and maintenance
17. HQ0034-14-F-0089	237	1	Software maintenance renewal
18. HQ0034-16-F-0019	220	1	Software license and annual maintenance agreement

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

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Description of Supplies Purchased
19. HQ0034-14-F-0211	216	1	Licenses and renewals
20. HQ0034-14-F-0196	151	1	Hardware and software renewal
<b>Sub-Total One-Quote</b>	<b>\$19,475</b>	<b>20</b>	
21. HQ0034-15-F-0119	1,245	2	Hardware, software, and support services
22. HQ0034-14-F-0310	357	2	Quadrennial ATL-MAE IBE server refresher
23. HQ0034-14-F-0148	331	2	Software renewal and maintenance support
24. HQ0034-15-F-0144	204	2	Floorplan and installation of furniture
<b>Sub-Total Two-Quotes</b>	<b>\$2,137</b>	<b>4</b>	
<b>Total One and Two Quotes</b>	<b>\$21,612</b>	<b>24</b>	
<b>Department of Defense Human Resource Activity One-Quote and Two-Quote Orders Reviewed</b>			
1. H98210-16-F-0002	1,067	1	Annual prospecting record data file on Digital Video Discs
2. H98210-15-F-0015	829	1	Maintenance and software support
3. H98210-16-F-0027	820	1	License and maintenance renewal support
4. H98210-14-F-0090	775	1	Renewal license, maintenance, software support, and upgrades
5. H98210-16-F-0006	594	1	Maintenance and license support
6. H98210-15-F-0059	341	1	Hardware and software installation
7. H98210-14-F-0046	254	1	Hardware and software maintenance and support
<b>Sub-Total One-Quote</b>	<b>\$4,680</b>	<b>7</b>	
8. H98210-15-F-0033	2,193	2	Software renewal and maintenance support
9. H98210-16-F-0005	2,193	2	Hardware and software

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

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Description of Supplies Purchased
10. H98210-15-F-0018	2,090	2	Hardware and software
11. H98210-14-F-0070	1,227	2	Hardware and software
12. H98210-15-F-0007	666	2	Software support
13. H98210-14-F-0138	309	2	Hardware and software maintenance support
14. H98210-15-F-0100	260	2	Hardware and software maintenance support
15. H98210-15-F-0074	193	2	Software license
<b>Sub-Total Two-Quotes</b>	<b>\$9,131</b>	<b>8</b>	
<b>Total One and Two Quotes</b>	<b>\$13,811</b>	<b>15</b>	
<b>Defense Health Agency One-Quote and Two-Quote Orders Reviewed</b>			
1. HT0011-16-F-0004	2,475	1	Renewal of online electronic subscription
2. HT0011-15-F-0025	1,100	1	Hardware maintenance
3. HT0014-15-F-0192	800	1	Hospital telephone switchboard and operator services
4. HT0011-14-F-0037	676	1	Software licenses, renewal of maintenance licenses, and configuration services
5. HT0014-15-F-0035	397	1	Scientific equipment and services
6. HT0011-14-F-0041	281	1	Software maintenance
7. HT0014-15-F-3412	206	1	Interpreter or translator services
8. HT0014-15-F-0013	188	1	Medical filter hoods, batteries, and duffel bags
<b>Sub-Total One-Quote</b>	<b>\$6,123</b>	<b>8</b>	
9. HT0014-15-F-0268	611	2	Digital maps, charts, and geodetic products
10. HT0011-15-F-0031	357	2	Software licenses and maintenance
<b>Sub-Total Two-Quotes</b>	<b>\$968</b>	<b>2</b>	
<b>Total One and Two Quotes</b>	<b>\$7,091</b>	<b>10</b>	



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

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Description of Supplies Purchased
<b>Defense Threat Reduction Agency One-Quote and Two-Quote Orders Reviewed</b>			
1. HDTRA1-14-F-0013	2,293	1	Software license agreement
2. HDTRA1-16-F-0006	271	1	Mainframe software and maintenance
3. HDTRA1-15-F-0026	260	1	Software licenses
4. HDTRA1-15-F-0014	253	1	Mainframe software and maintenance
<b>Sub-Total One-Quote</b>	<b>\$3,077</b>	<b>4</b>	
5. HDTRA1-14-F-0042	881	2	Software annual maintenance and support
6. HDTRA1-16-F-0016	678	2	Software and maintenance
7. HDTRA1-14-F-0038	588	2	Software maintenance and support
8. HDTRA1-15-F-0045	254	2	Miscellaneous hardware
<b>Sub-Total Two-Quotes</b>	<b>\$2,401</b>	<b>4</b>	
<b>Total One and Two Quotes</b>	<b>\$5,478</b>	<b>8</b>	
<b>Total Four Defense Organizations</b>	<b>\$47,992</b>		

Source: DoD OIG.

## Appendix C

### Orders That Did Not Have Adequate Price Reasonableness Determinations

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Inadequate Fair and Reasonable Price Determination	Inadequate Comparison of Quote to IGE	Inadequate Comparison of Quote to Price List of Same Vendor That Submitted Only Quote	Other
<b>Washington Headquarters Services</b>						
1. HQ0034-15-F-0019	\$3,982	1	X	X		
2. HQ0034-14-F-0147	2,130	1	X			
3. HQ0034-14-F-0266	1,417	1	X			
4. HQ0034-14-F-0287	756	1		X		
5. HQ0034-14-F-0272	754	1	X			X <sup>1</sup>
6. HQ0034-14-F-0088	752	1	X			
7. HQ0034-14-F-0222	650	1	X	X	X	
8. HQ0034-14-F-0208	622	1		X	X	
9. HQ0034-14-F-0265	595	1		X		
10. HQ0034-15-F-0090	547	1	X			
11. HQ0034-14-F-0250	499	1	X			
12. HQ0034-15-F-0018	496	1	X			
13. HQ0034-14-F-0256	367	1		X		
14. HQ0034-14-F-0089	237	1	X			X <sup>2</sup>
<b>Sub-Total One-Quote</b>	<b>\$13,804</b>	<b>14</b>	<b>10</b>	<b>6</b>	<b>2</b>	<b>2</b>
15. HQ0034-15-F-0119	1,245	2	X			
16. HQ0034-14-F-0310	357	2	X			
17. HQ0034-15-F-0144	204	2	X	X		X <sup>3</sup>
<b>Sub-Total Two-Quotes</b>	<b>\$1,806</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>0</b>	<b>1</b>
<b>Totals</b>	<b>\$15,610</b>	<b>17</b>	<b>13</b>	<b>7</b>	<b>2</b>	<b>3</b>

## Orders That Did Not Have Adequate Price Reasonableness Determinations (cont'd)

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Inadequate Fair and Reasonable Price Determination	Inadequate Comparison of Quote to IGE	Inadequate Comparison of Quote to Price List of Same Vendor That Submitted Only Quote	Other
<b>Department of Defense Human Resource Activity</b>						
1. H98210-16-F-0002	1,067	1	X	X	X	
2. H98210-15-F-0015	829	1	X			X <sup>4</sup>
3. H98210-16-F-0027	820	1	X			
4. H98210-16-F-0006	594	1	X			
5. H98210-15-F-0059	341	1	X			
6. H98210-14-F-0046	254	1	X			
<b>Sub-Total One-Quote</b>	<b>\$3,905</b>	<b>6</b>	<b>6</b>	<b>1</b>	<b>1</b>	<b>1</b>
7. H98210-16-F-0005	2,193	2	X			
8. H98210-15-F-0033	2,193	2	X			
9. H98210-15-F-0018	2,090	2	X			
10. H98210-14-F-0070	1,227	2	X			
11. H98210-15-F-0007	666	2	X			
12. H98210-14-F-0138	309	2	X			
13. H98210-15-F-0100	260	2	X			
14. H98210-15-F-0074	193	2	X			
<b>Sub-Total Two-Quotes</b>	<b>\$9,131</b>	<b>8</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$13,036</b>	<b>14</b>	<b>14</b>	<b>1</b>	<b>1</b>	<b>1</b>
<b>Defense Health Agency</b>						
1. HT0011-16-F-0004	2,475	1	X			
2. HT0011-15-F-0025	1,100	1	X			
3. HT0014-15-F-0192	800	1			X	
4. HT0011-14-F-0037	676	1	X			

## Orders That Did Not Have Adequate Price Reasonableness Determinations (cont'd)

Order Number	Order Value (in thousands rounded)	Number of Quotes Received	Inadequate Fair and Reasonable Price Determination	Inadequate Comparison of Quote to IGE	Inadequate Comparison of Quote to Price List of Same Vendor That Submitted Only Quote	Other
5. HT0014-15-F-0035	397	1	X		X	
6. HT0011-14-F-0041	281	1	X			
7. HT0014-15-F-3412	206	1			X	
8. HT0014-15-F-0013	188	1			X	
<b>Sub-Total One-Quote</b>	<b>\$6,123</b>	<b>8</b>	<b>5</b>	<b>0</b>	<b>4</b>	<b>0</b>
9. HT0014-15-F-0268	611	2	X			
10. HT0011-15-F-0031	357	2	X			
<b>Sub-Total Two-Quotes</b>	<b>\$968</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Totals</b>	<b>\$7,091</b>	<b>10</b>	<b>7</b>	<b>0</b>	<b>4</b>	<b>0</b>
<b>Defense Threat Reduction Agency</b>						
1. HDTRA1-14-F-0013	2,293	1	X	X	X	
2. HDTRA1-15-F-0026	260	1	X	X	X	
3. HDTRA1-15-F-0014	253	1	X			
<b>Sub-Total One-Quote</b>	<b>\$2,806</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>2</b>	<b>0</b>
4. HDTRA1-14-F-0042	881	2	X			
5. HDTRA1-14-F-0038	588	2	X			
6. HDTRA1-15-F-0045	254	2	X	X	X	
<b>Sub-Total Two-Quotes</b>	<b>\$1,723</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Totals</b>	<b>\$4,529</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>0</b>
<b>Overall Totals</b>	<b>\$40,266</b>		<b>40</b>	<b>11</b>	<b>10</b>	<b>4</b>

Source: DoD OIG.

<sup>1</sup> No price analysis performed.

<sup>2</sup> No price analysis performed.

<sup>3</sup> Contracting officer compared a quote that was technically unacceptable to an acceptable quote.

<sup>4</sup> The only price analysis performed was the receipt of discounts.

## Appendix D

### Orders With Inadequate Price Reasonableness Determinations

Order Number	Order Amount (in thousands rounded)	Date Awarded	Number of Quotes
<b>WHS</b>			
1. HQ0034-15-F-0019	\$3,982	12/23/2014	1
2. HQ0034-14-F-0147	2,130	6/16/2014	1
3. HQ0034-14-F-0266	1,417	9/26/2014	1
4. HQ0034-14-F-0272	754	9/19/2014	1
5. HQ0034-14-F-0088	752	3/27/2014	1
6. HQ0034-14-F-0222	650	8/25/2014	1
7. HQ0034-15-F-0090	547	6/23/2015	1
8. HQ0034-14-F-0250	499	9/19/2014	1
9. HQ0034-15-F-0018	496	4/1/2015	1
10. HQ0034-14-F-0089	237	4/4/2014	1
<b>Sub-Total One Quote</b>	<b>11,464</b>		
11. HQ0034-15-F-0119	1,245	9/3/2015	2
12. HQ0034-14-F-0310	357	9/27/2014	2
13. HQ0034-15-F-0144	204	9/25/2015	2
<b>Sub-Total Two Quotes</b>	<b>1,806</b>		
<b>Sub-Total (13 Orders)</b>	<b>\$13,270</b>		
<b>DoDHRA</b>			
14. H98210-16-F-0002	1,067	12/2/2015	1
15. H98210-15-F-0015	829	1/9/2015	1
16. H98210-16-F-0027	820	7/18/2016	1
17. H98210-16-F-0006	594	12/21/2015	1
18. H98210-14-F-0046	254	5/2/2014	1
19. H98210-15-F-0059	341	6/15/2015	1
<b>Sub-Total One Quote</b>	<b>3,905</b>		
20. H98210-15-F-0033	2,193	2/25/2015	2
21. H98210-16-F-0005	2,193	12/23/2015	2
22. H98210-15-F-0018	2,090	1/21/2015	2
23. H98210-14-F-0070	1,227	7/10/2014	2

## Orders With Inadequate Price Reasonableness Determinations (cont'd)

Order Number	Order Amount (in thousands rounded)	Date Awarded	Number of Quotes
24. H98210-15-F-0007	666	12/18/2014	2
25. H98210-14-F-0138	309	9/29/2014	2
26. H98210-15-F-0100	260	9/11/2015	2
27. H98210-15-F-0074	193	8/14/2015	2
<b>Sub-Total Two Quotes</b>	<b>9,131</b>		
<b>Sub-Total (14 Orders)</b>	<b>\$13,036</b>		
<b>DHA</b>			
28. HT0011-16-F-0004	2,475	12/30/2015	1
29. HT0011-15-F-0025	1,100	5/20/2015	1
30. HT0011-14-F-0037	676	9/27/2014	1
31. HT0014-15-F-0035	397	12/12/2014	1
32. HT0011-14-F-0041	281	9/29/2014	1
<b>Sub-Total One Quote</b>	<b>4,929</b>		
33. HT0014-15-F-0268	611	9/30/2015	2
34. HT0011-15-F-0031	357	9/18/2015	2
<b>Sub-Total Two Quotes</b>	<b>968</b>		
<b>Sub-Total (7 Orders)</b>	<b>\$5,897</b>		
<b>DTRA</b>			
35. HDTRA1-14-F-0013	2,293	6/13/2014	1
36. HDTRA1-15-F-0026	260	8/27/2015	1
37. HDTRA1-15-F-0014	253	3/31/2015	1
<b>Sub-Total One Quote</b>	<b>2,806</b>		
38. HDTRA1-14-F-0042	881	9/30/2014	2
39. HDTRA1-14-F-0038	588	9/24/2014	2
40. HDTRA1-15-F-0045	254	9/29/2015	2
<b>Sub-Total Two Quotes</b>	<b>1,723</b>		
<b>Sub-Total (6 Orders)</b>	<b>\$4,529</b>		
<b>Total (40)*</b>	<b>\$36,732</b>		

Source: DoD OIG.

\* The 40 orders involved 24 orders involving one quote and 16 orders involving two quotes.

# Management Comments

## Office of the Under Secretary of Defense



ACQUISITION,  
TECHNOLOGY  
AND LOGISTICS

### OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON  
WASHINGTON, DC 20301-3000

JUL 31 2017

MEMORANDUM FOR PROGRAM DIRECTOR FOR CONTRACT MANAGEMENT AND  
PAYMENTS, OFFICE OF THE INSPECTOR GENERAL

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS 

SUBJECT: Response to DoDIG Draft Report on Defense Organizations Price Reasonableness  
Determinations for Federal Supply Schedule Orders for Supplies (Project No.  
D2017-D000CF-0047.000)

As requested, I am providing responses to the general content and recommendations  
contained in the subject report.

**Recommendation 1.a:**

Develop and implement guidance for performing and documenting price analysis and making price reasonableness determinations for General Services Administration Federal supply schedule orders for supplies.

**Response:**

Concur. The Director, Defense Procurement and Acquisition Policy, has developed text for inclusion in the Guidebook for Acquiring Commercial Items. The text addresses guidance for DoD contracting officers regarding items acquired through the General Services Administration Federal Supply Schedule. The Department plans to submit the final rule for DFARS Case 2016-D006, Commercial Item Procurement, to OMB by the end of FY 2017. In addition, the Department plans to issue the Guidebook concurrently with publication in the Federal Register of the final DFARS rule.

**Recommendation 1.b:**

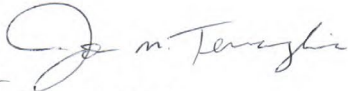
Develop training for contracting office personnel on the guidance for performing and documenting price analysis and making price reasonableness determinations for General Services Administration Federal supply schedule orders for supplies.

**Response:**

Concur. CON 170 is the Defense Acquisition University Level I core contract pricing course required for all students in the contracting curriculum. It addresses performing and documenting price analysis and making price reasonableness determinations in CON 170, Unit 4, Lesson 2, Price Analysis, but students were not required to apply those techniques to GSA FSS supplies until the DoD Class Deviation was issued. DAU plans to incorporate a GSA FSS scenario into Lesson 4 CON 170, Unit 4 by the end of the first quarter, FY 2018. The change also was incorporated into the Contract Pricing Reference Guide, Volume 1, section 1.2.2.6 at <https://www.dau.mil/cop/pricing>.

## Office of the Under Secretary of Defense (cont'd)

Please contact [REDACTED] or [REDACTED] if additional information is required.

  
for: Claire M. Grady  
Director, Defense Procurement  
and Acquisition Policy



## Acronyms and Abbreviations

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<b>BPA</b>	Blanket Purchase Agreement
<b>FAR</b>	Federal Acquisition Regulation
<b>DHA</b>	Defense Health Agency
<b>DoDHRA</b>	DoD Human Resources Activity
<b>DPAP</b>	Defense Procurement and Acquisition Policy
<b>DTRA</b>	Defense Threat Reduction Agency
<b>FPDS-NG</b>	Federal Procurement Data System–Next Generation
<b>FSS</b>	Federal Supply Schedule
<b>GSA</b>	General Services Administration
<b>IGE</b>	Independent Government Estimate
<b>WHS</b>	Washington Headquarters Services



# **Whistleblower Protection**

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