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CONTRACTING STRATEGIES

Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts



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Highlights of [GAO-10-367](#), a report to congressional requesters

Why GAO Did This Study

Agencies can use several different types of contracts to leverage the government's buying power for goods and services. These include interagency contracts—where one agency uses another's contract for its own needs—such as the General Services Administration (GSA) and the Department of Veterans Affairs multiple award schedule (MAS) contracts, multiagency contracts (MAC) for a wide range of goods and services, and governmentwide acquisition contracts (GWAC) for information technology. Agencies spent at least \$60 billion in fiscal year 2008 through these contracts and similar single-agency enterprisewide contracts. However, concerns exist about duplication, oversight, and a lack of information on these contracts, and pricing and management of the MAS program. GAO was asked to assess the reasons for establishing and the policies to manage these contracts; the effectiveness of GSA tools for obtaining best MAS contract prices; and GSA's management of the MAS program. To do this, GAO reviewed statutes, regulations, policies, contract documentation and data, and interviewed officials from OMB and six agencies.

What GAO Recommends

GAO makes recommendations: to the Office of Management and Budget (OMB) to strengthen policy, improve data and better coordinate agencies' awards of MACs and enterprisewide contracts; and to GSA to improve MAS program pricing and management. Both agencies concurred with GAO's recommendations.

[View GAO-10-367](#) or [key components](#). For more information, contact John Needham at (202) 512-4841 or needhamjk1@gao.gov.

CONTRACTING STRATEGIES

Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts

What GAO Found

GWACs, MACs—two types of interagency contracts—and enterprisewide contracts should provide an advantage to the government in buying billions of dollars worth of goods and services. However, data are lacking and there is limited governmentwide policy to effectively leverage, manage, and oversee these contracts. The total number of MACs and enterprisewide contracts is unknown, and existing data are not sufficiently reliable to identify them. In addition, GWACs are the only interagency contracts requiring OMB approval. Agencies GAO reviewed followed statutes, acquisition regulations, and internal policies to establish and use MACs and enterprisewide contracts. Avoiding fees associated with using other agencies' contracts and more control over procurements are some of the reasons agencies cited for establishing MACs and enterprisewide contracts. However, many of the same contractors provided similar products and services on multiple contracts—a condition that increases costs to both the vendor and the government and misses opportunities to leverage the government's buying power. Recent legislation and OMB's Office of Federal Procurement Policy initiatives are expected to strengthen management of MACs, but no such initiatives exist for enterprisewide contracts.

GSA's MAS program—the largest interagency contracting program—uses several tools and controls to obtain best prices, but the limited application of certain tools hinders its ability to determine whether it achieves this goal. GSA has established two regulatory pricing controls for MAS contracts: seek the best prices vendors provide to their most favored customers; and a price reduction clause that provides the government a lower price if a vendor lowers the price for similarly situated commercial customers. GSA uses other pricing tools—e.g., pre-award contract audits by its Inspector General and Procurement Management Reviews—on a limited basis. For example, the Inspector General performs pre-award audits on a small sample of MAS contracts annually, but has identified contract cost avoidance of almost \$4 billion in recent years. In 2008, GSA established a MAS advisory panel that recommended changes to the pricing controls noted above; concerns remain that such changes could adversely affect GSA's ability to negotiate best prices.

A lack of data, decentralized management, and limitations in assessment tools create challenges for GSA in managing the MAS program. The agency lacks data about customer agencies' use of the program, limiting its ability to determine how well the program meets customers' needs. The MAS program office lacks direct program oversight, as GSA has dispersed authority for managing MAS among nine acquisition centers under three business portfolios. Program stakeholders have identified concerns that this structure has impaired consistent policy implementation. Shortcomings in assessment tools also result in management challenges. For example, performance measures are inconsistent, including inconsistent emphasis on pricing. GSA's customer satisfaction survey has such a low response rate that its utility for evaluating program performance is limited.

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Abbreviations

DOD	Department of Defense
DHS	Department of Homeland Security
EAGLE	Enterprise Acquisition Gateway for Leading-Edge Solutions
FAR	Federal Acquisition Regulation
FAS	Federal Acquisition Service
FPDS-NG	Federal Procurement Data System-Next Generation
GAO	Government Accountability Office
GSA	General Services Administration
GWAC	Governmentwide acquisition contract
MAC	Multiagency contract
MAS	Multiple Award Schedule
NASA	National Aeronautics and Space Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
PMR	Procurement Management Review
VA	Department of Veterans Affairs

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United States Government Accountability Office
Washington, DC 20548

April 29, 2010

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Edolphus Towns
Chairman
The Honorable Darrell E. Issa
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Claire McCaskill
Chairman
Subcommittee on Contracting Oversight
Committee on Homeland Security and Governmental Affairs
United States Senate

Since 2002, spending on federal contracts has more than doubled, with approximately \$530 billion obligated¹ in fiscal year 2008. As this spending has increased, there has been renewed focus on maximizing efficiencies in the procurement process to achieve cost savings. One way to accomplish this is by increasing the use of contracts designed to leverage the government's buying power when acquiring commercial goods and services. These include the multiple award schedule (MAS) program contracts (also known as the Federal Supply Schedule),² multiagency

¹In this report, we use procurement dollars reported by federal agencies which are considered obligations and data from vendors which are reported in sales. Therefore, we have used dollars obligated and sales data interchangeably.

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

contracts (MAC), and governmentwide acquisition contracts (GWAC).³ The General Services Administration (GSA) directs and manages the MAS program. It has delegated authority to the Department of Veterans Affairs (VA) to operate schedules for medical supplies.⁴ Other agencies have established and operate MACs and GWACs. MAS contracts, MACs, and GWACs are all interagency contracts.

When managed properly, interagency contracting—a process by which one agency either uses another agency’s contract directly or obtains contracting support services from another agency—can leverage the government’s aggregate buying power and provide a simplified and expedited method for procuring commonly used goods and services. Enterprisewide contracts, which, according to procurement officials, appear to have become more popular in recent years, are internal purchasing programs established within a federal department or agency to acquire goods and services. They are similar to interagency contracts in that they can leverage the purchasing power of the federal agency but generally do not allow purchases from the contract by federal activities other than the original acquiring activity. In fact, the Office of Management of Budget (OMB) recently reported that 20 of the 24 largest procuring activities are planning to achieve contracting savings by implementing strategic sourcing initiatives⁵ by using enterprisewide contracting to leverage their buying power.⁶ These initiatives are part of OMB’s goal, announced in December 2009, of reducing contract cost by 7 percent by September 30, 2011.

³MACs are task-order or delivery-order contracts established by an agency that can be used for governmentwide use to obtain goods and services, consistent with the Economy Act. FAR § 2.101. GWACs are considered multiagency contracts but, unlike other multiagency contracts, are not subject to the same requirements and limitations, such as documenting that the contract is in the best interest of the government, set forth under the Economy Act. The Clinger-Cohen Act of 1996 authorized GWACs to be used to buy information technology goods and services. 40 U.S.C. § 11314(a)(2). These contracts are operated by an executive agent designated by the Office of Management and Budget. FAR § 2.101.

⁴VA operates its portion of the schedules program under a delegation of authority from GSA. Although GSA has delegated to VA the authority to contract for medical supplies services under various MAS, GSA has not delegated to VA the authority to prescribe the policies and procedures that govern the MAS program.

⁵An approach to leverage buying power, reduce costs, better manage suppliers, and improve the quality of goods and services acquired.

⁶Office of Management and Budget, *Acquisition and Contracting Improvement Plans and Pilots: Saving Money and Improving Government* (Washington D.C.: Dec. 2009).

Though precise numbers are unavailable, in fiscal year 2008, government buyers used the MAS program, MACs, and GWACs to acquire at least \$60 billion of commercial goods and services, including billions spent through enterprisewide contracts. Some in the procurement community have raised concerns about a proliferation of some of these contracts, noting that without coordinated governmentwide oversight of MACs and enterprisewide contracts it is unclear whether the use of these contracts helps government buyers leverage their buying power. The perceived growth in the number of these contracts and duplication that has occurred with their growth may also adversely affect the overall administrative efficiencies and cost savings expected with their use. Furthermore, in recent years, we and others have highlighted challenges with MAS program pricing and compliance with the Federal Acquisition Regulation (FAR) to obtain the best possible value. In this context, you requested that we address management issues associated with the growth in use of interagency contracting vehicles and enterprisewide contracts, and especially the management of the GSA's MAS program contracts. Specifically, this report addresses:

1. the data that exist to describe MACs, GWACs, and enterprisewide contracts use governmentwide; the extent to which policies and guidance exist to establish and manage these contracts; and the reasons agencies use these contracts;
2. the effectiveness of tools and controls GSA uses to obtain the best possible prices for customers of its MAS program; and
3. the extent to which GSA has performance information and an oversight structure in place to manage the MAS program.

We conducted this work at the Office of Federal Procurement Policy (OFPP) within OMB, which has governmentwide procurement policy responsibility. We also conducted work at six federal agencies including GSA, the Department of Defense (DOD), including the three military departments, Department of Health and Human Services, Department of Homeland Security (DHS), VA, and the National Aeronautics and Space Administration (NASA) because these agencies established and or used the MAS, GWAC, MAC, or enterprisewide contract programs and were responsible for almost 87 percent of total federal procurement obligations in fiscal year 2008.⁷ To assess the oversight of and benefits provided these

⁷Franchise funds and interagency assisting entities that undertake some or all of the contracting function for an agency, typically on a "fee-for-service" basis, are not part of this review. See GAO, *Interagency Contracting: Franchise Funds Provide Convenience, but Value to DOD Is Not Demonstrated*, [GAO-05-456](#) (Washington, D.C.: July 29, 2005).

programs, we reviewed policies, agency directives, relevant studies, audit reports, the FAR, and other regulations relevant to our review objectives. We interviewed OFPP representatives responsible for overseeing interagency contracting, the Senior Procurement Executives or their representatives for the agencies where we conducted work, and other agency officials responsible for multiagency and enterprisewide contracts. To determine the magnitude of multiagency and enterprisewide contracts, we attempted to use the Federal Procurement Data System-Next Generation (FPDS-NG) but found that the data were not sufficiently reliable to determine the universe and use of MACs⁸ or enterprisewide contracts. Despite its critical role, we have consistently reported on FPDS-NG data quality issues over a number of years.⁹ This lack of reliability made it impossible to determine the universe and use of these types of contracts. Hence, we conducted literature searches and reviewed agencies' and government contractors' Web pages to identify examples of MACs and enterprisewide contracts. After identifying examples of these contracts, we judgmentally selected for review 14 contracting programs from 5 of the 6 agencies and 2 of the 3 military departments that had at

⁸To determine if the data on interagency contracts were reliable we tried to verify some of the data generated from FPDS-NG. For instance, FPDS-NG includes a data field that is intended to identify GWACs but we found a number of instances where known GWACs were coded incorrectly. We also searched the system by contract number for MACs that we were aware of and found similar issues, with some contracts coded properly as MACs and some not. In addition, to identify a contract as a MAC, we searched for indefinite delivery contracts that were coded as being governed by the Economy Act—which most MACs are—and determined if the contract was also used by any agency other than the one that entered into the contract.

⁹We have previously reported on data reliability issues with FPDS-NG. See, e.g., GAO, *Federal Contracting: Observations on the Government's Contracting Data Systems*, [GAO-09-1032T](#) (Washington, D.C.: Sept. 29, 2009); *Contract Management: Minimal Compliance with New Safeguards for Time-and-Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program*, [GAO-09-579](#) (Washington, D.C.: June 24, 2009); *Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State*, [GAO-08-578](#) (Washington, D.C.: May 8, 2008); *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, [GAO-08-263](#) (Washington, D.C.: April 22, 2008); *Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel Recommendations*, [GAO-08-160](#) (Washington, D.C.: Dec. 20, 2007); *Improvements Needed to the Federal Procurement Data System-Next Generation*, [GAO-05-960R](#) (Washington, D.C.: Sept. 27, 2005); *Reliability of Federal Procurement Data*, [GAO-04-295R](#) (Washington, D.C.: Dec. 30, 2003); *OMB and GSA: FPDS Improvements*, [GAO/AIMD-94-178R](#) (Washington, D.C.: Aug. 19, 1994); *The Federal Procurement Data System—Making It Work Better*, [GAO/PSAD-80-33](#) (Washington, D.C.: Apr. 18, 1980); and *The Federal Procurement Data System Could Be an Effective Tool for Congressional Surveillance*, [GAO/PSAD-79-109](#) (Washington, D.C.: Oct. 1, 1979).

least one of the three contract types (MAC, GWAC, and enterprisewide contracts), and met with agency officials and vendors to confirm our identification of examples and to obtain their perspectives on the proliferation of these vehicles. Because the MAS program represents the single largest federal program providing multiagency contracts, we concentrated our work on the MAS program. Furthermore, because GSA rather than VA sets the policy for the MAS program, we focused on GSA's management of the program. We reviewed GSA's management structure for overseeing the program and the tools and controls GSA established for obtaining fair and reasonable pricing for MAS contracts. We reviewed GSA memorandums, regulations, manuals, and other relevant documentation; interviewed agency officials; and analyzed GSA processes and practices related to program oversight and contract negotiations. We also conducted structured interviews with 16 vendors with high sales on the GSA MAS program and had also been awarded GWACs, MACs, or enterprisewide contracts. The 16 vendors represented both large and small businesses. We also judgmentally selected 17 contracting officers from 4 of the 6 agencies selected for review and the 3 military departments who had placed orders through one of the reviewed contract vehicles to obtain their perspectives on the management and pricing of the MAS contracts, MACs, GWACs and enterprisewide contracts. We also met with representatives of several private sector organizations—the Coalition for Government Procurement, Jefferson Solutions, LLC, the Professional Services Council, and the Washington Management Group—that represent vendors and contractors to obtain their views on issues related to our review objectives.

We conducted this performance audit from October 2008 through April 2010 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A more detailed discussion of our scope and methodology is in appendix I.

Results in Brief

Interagency and enterprisewide contracts should provide an advantage to the government in buying billions of dollars worth of goods and services, yet OMB and agencies lack reliable, comprehensive data to effectively leverage, manage, and oversee these contracts. The total number of MACs and enterprisewide contracts currently in use by agencies is unknown because the federal government's official

procurement database, FPDS-NG, is not sufficiently reliable for identifying these contracts. This has been a longstanding problem. Furthermore, we found there is limited governmentwide policy for establishing and overseeing MACs and enterprisewide contracts. The agencies we reviewed followed statutes, FAR, and their own internal policies and guidance to justify, establish, and operate MACs and enterprisewide contracts. Currently, GWACs are the only contracts requiring approval from and annual reporting to OMB. We also found that some agencies' policies or guidance have encouraged the use of enterprisewide contracts over the use of other contracts, including the GSA MAS program contracts. We found that departments and agencies establish, justify, and use their own MACs and enterprisewide contracts rather than other established interagency contracts for a variety of reasons, which include avoiding fees paid for the use of other agencies' contracts, gaining more control over procurements made by organizational components, and allowing for the use of cost reimbursement contracts. Under these conditions, many of the same vendors provided similar products and services on multiple contracts, which increases costs to both the vendor and the government and can result in missed opportunities to leverage the government's buying power. Recent legislation and OFPP initiatives are expected to strengthen oversight and management of MACs, but no initiatives are underway to strengthen oversight of enterprisewide contracts.

GSA's MAS program—the largest interagency contracting program with approximately 17,000 contracts—uses several tools and controls in the contract award and administration process to obtain and maintain best prices for its contracts, but applies some of the tools on a limited basis. This hinders GSA's ability to determine whether it achieves the MAS program goal of obtaining best prices. GSA has established two key regulatory controls to obtain and maintain best prices throughout the life of all MAS contracts. The first is the provision that, prior to award, GSA seeks to obtain the best price that a vendor provides to their most favored customer,¹⁰ and the second is the use of a price reduction clause in each MAS contract that allows the government to receive a lower contract price after award if the vendor lowers its price to similarly situated commercial customers. However, GSA does not collect information to determine if the price reduction clause is working as intended. GSA also uses other tools

¹⁰Most favored customers are customers or categories of customers that receive the best price from vendors (48 C.F.R. 538.270(a), 538.271, and 538.272). The pursuit of most favored customer pricing is consistent with the objective of negotiating a fair and reasonable price (Final rule, 62 Fed. Reg 44,518, 44,519 (Aug. 21, 1997)).

to leverage the government's buying power, evaluate compliance with program pricing policies, and ensure the quality of contract negotiations primarily for larger contracts. These include pre-award audits of MAS contracts by the GSA Inspector General, clearance panel reviews of contract negotiation objectives, and Procurement Management Reviews. However, GSA applies these tools to a small number of MAS contracts. For example, the GSA Inspector General performed pre-award audits of 69 contracts in fiscal year 2008, but does not target hundreds of other contracts that are eligible for audit. Nevertheless, with an investment of a few million dollars annually, the Inspector General recommended almost \$4 billion in cost avoidance through these audits from fiscal years 2004 through 2008—cost avoidance would result from lower prices paid by government buyers. We also found several instances where required clearance panel reviews were not held, and GSA officials said that they do not check whether contracts that met the appropriate threshold received a panel review as required, thus limiting the effectiveness of this tool. GSA also conducts Procurement Management Reviews to assess contracts' compliance with statutory requirements and internal policy and guidance. However, GSA only selects a small number of contracts for review and at the time of our fieldwork did not use a risk-based selection methodology, which does not permit GSA to derive any trends based on the review findings. In 2008, GSA established an advisory panel to review MAS program pricing provisions, which has recommended changes to the pricing provisions, among other things. These changes include elimination of the price reduction clause and clarifying the price objective for MAS contracts, which could potentially remove "most favored customer" as the pricing goal for MAS contracts. However, concerns remain that eliminating these provisions could adversely affect GSA's ability to negotiate best prices.

A lack of comprehensive data, a decentralized management structure, and limitations in assessment tools create challenges for GSA to manage the MAS program effectively and have a program wide perspective on its operations. Our prior work has highlighted the importance of having comprehensive data as part of a strategic approach to procurement, noting that the use of procurement data to identify buyers and how much is being spent for goods and services can identify opportunities to save money and improve performance. However, GSA lacks data about the use of the MAS program by customer agencies. Without this data, GSA is limited in its ability to determine how well the MAS program meets its customers' needs and to help its customers obtain the best value through MAS contracts, among other things. In addition, the decentralized management structure for the MAS program hinders consistent implementation of the MAS

program within GSA, as well as program oversight. GSA established a MAS program office in 2008 to manage strategic and policy issues for the program. However, it lacks direct oversight authority for the MAS program—program oversight is not addressed in its charter. Rather, GSA has dispersed responsibility for the management of individual contract schedules among nine acquisition centers under three business lines. Some MAS program officials and vendors we met with pointed out that as a result of this structure, a lack of communication and consistency exists among the acquisition centers, which has impaired the consistent implementation of policies across the MAS program and the sharing of best practices, and the GSA Inspector General has identified issues with oversight of the MAS program. Finally, shortcomings in assessment tools also result in management challenges. For example, performance measures are inconsistent across the GSA organizations that manage MAS contracts, including inconsistent emphasis on pricing. GSA’s MAS customer satisfaction survey also has an extremely low response rate that limits its utility as a means for evaluating program performance.

We make five recommendations to OMB to strengthen policy, improve data and better coordinate agencies’ awards of MACs and enterprisewide contracts. We also make eight recommendations to GSA to improve MAS program pricing and management. Both OMB and GSA agreed with our recommendations. DOD pointed out in its comments on the draft of this report that it is the largest purchasing organization in the federal government and the largest customer of GSA and looks forward to working with the OMB’s Administrator for OFPP and with GSA on their efforts to implement the recommendations. The Department of Health and Human Services concurred with our findings and recommendations. Likewise, NASA stated that our draft report was complete, concise, and accurate and provided a balanced view of issues. DHS and VA elected not to provide comments on a draft of the report.

Background

Government buyers generally use three types of available interagency contracts—MACs, GWACs, and MAS program contracts—all of which leverage the government’s buying power when acquiring goods and services. These interagency contracts can be established under several statutory authorities, including: (1) the Economy Act,¹¹ which authorizes agencies to place orders for goods and services with another government

¹¹31 U.S.C. § 1535.

agency; (2) the Clinger-Cohen Act of 1996,¹² which authorizes GWACs; and (3) the Federal Property and Administrative Services Act of 1949, as amended,¹³ which provides authority for GSA's MAS program.

The Federal Acquisition Streamlining Act of 1994,¹⁴ also has a bearing on interagency contracting, since its enactment, along with that of the Clinger-Cohen Act of 1996, authorized fundamental changes in the management of government acquisition programs. These statutes (1) made it easier for federal agencies to purchase commercial items; (2) streamlined the processes for making small purchases; (3) eliminated GSA as the sole authority for all federal information technology acquisitions; and (4) allowed for establishment of GWACs and other contracting vehicles including enterprisewide contracts. Since then, some agencies have established and operated MACs, GWACs, and enterprisewide contracts, while GSA operates the MAS program. Agencies, including GSA and VA for the MAS program, usually charge their customer agencies fees for using their GWACs, MACs, and schedule contracts. These fees are usually a percentage of the value of the procurement to cover the costs of administering the contract. Table 1 describes the various contract types we examined, including the number in existence and fees charged when known, and their fiscal year 2008 sales.

¹² 40 U.S.C § 11314(a)(2).

¹³ 41 U.S.C. § 251 et seq. and 40 U.S.C. § 501.

¹⁴ Pub. L. No. 103-355.

Table 1: Comparison of Various Contract Vehicles Examined

	Interagency contracts				Enterprisewide contracts
	Multiple award schedules		MACs	GWACs	
	GSA	VA			
Authority	Federal Property and Administrative Services Act of 1949 as amended. GSA delegated authority to VA		Economy Act	Clinger-Cohen Act	Various authorities to include the Economy Act and the Federal Acquisition Streamlining Act
Purpose	To provide comparable commercial goods and services at varying prices and a streamlined process to obtain these goods and services at prices associated with volume buying.		To obtain goods or services by interagency acquisition which cannot be obtained as conveniently or economically by contracting directly with a private source	To provide a broad range of information technology goods and services.	Provide authority for placement of orders between major organizational units within an agency and establishing a general preference for use of multiple awards.
Number of schedules/programs	49 schedules	9 schedules	Unknown	16 programs	Unknown
Sales in 2008 (in billions)	\$37.6	\$9.2	Unknown ^a	\$5.3	Unknown ^b
Number of contracts	Approximately 19,000		Unknown	1,031	Unknown
Fee Structure	0.75 %	0.50%	Unknown	0.25 -1.75 %	Not applicable

Source: GAO analysis of statutes, regulations and agency data. Dollars and numbers are from fiscal year 2008 data.

^aThe four MAC programs reviewed had obligations totaling \$2.5 billion in fiscal year 2008.

^bThe three enterprisewide contract programs reviewed had obligations totaling \$4.8 billion in fiscal year 2008.

In fiscal year 2008, as shown in table 1, federal agencies used GWACs, MACs, and the MAS program to buy at least \$60 billion of goods and services to support their operations including some agencies spending billions using enterprisewide contracts. GWACs, MACs, the enterprisewide contracts we examined, and contracts under the MAS program are all indefinite delivery/indefinite quantity (ID/IQ) contracts--contracts that are established to buy goods and services when the exact times and exact quantities of future deliveries are not known at the time of

award.¹⁵ Once known, an agency places individual delivery orders for goods and task orders for services against these contracts.

MACs and GWACs

MACs and GWACs provide advantages to both agencies and vendors. For agencies, they provide a means of procuring goods and services without the time and expense of a full and open solicitation for each order. For vendors, the FAR requires agencies to provide a fair opportunity to be considered for orders exceeding \$3,000.¹⁶ The Economy Act, along with other authorities, allows an agency to enter into a MAC and then make it available for other government agencies to place task or delivery orders to obtain a variety of goods and services.¹⁷ The Economy Act is applicable to orders placed under MACs, with the exception of MACs for information technology that are established pursuant to the Clinger-Cohen Act. Per the FAR guidance for the Economy Act, an agency planning to place an order against another agency's MAC must document that the servicing agency has an appropriate pre-existing contract available for use or that it has the capabilities or expertise to enter into a contract for the required goods or services, which is not available within the requesting agency.¹⁸ MACs are established within their respective agencies and no external reporting on their use is required. As a result, governmentwide comprehensive data on the number of MACs and dollars involved with their use are not readily available.

¹⁵Based on FPDS-NG data, in fiscal year 2008, \$161 billion (over 30 percent of total federal procurement) was obligated using ID/IQ contracts.

¹⁶Fair opportunity requires a contracting officer to provide each awardee a fair opportunity to be considered for each order exceeding \$3,000 issued under multiple ID/IQ contracts unless (1) the agency need for the goods or services is so urgent that providing a fair opportunity would result in unacceptable delays, (2) only one awardee is capable of providing the goods or services required at the level of quality required because they are unique or highly specialized, (3) the order must be issued on a sole-source basis in the interest of economy and efficiency because it is a logical follow-on to an order already issued under the contract provided that all awardees were given fair consideration for the original order, or (4) it is necessary to place an order to satisfy a minimum guarantee. FAR §16.505(b).

¹⁷The Economy Act, authorizes an agency to place orders for goods and services with another government agency when the head of the requesting (i.e., ordering) agency determines that it is in the best interest of the government and decides it cannot order goods or services by contract with a commercial enterprise as conveniently or cheaply. 31 U.S.C. § 1535.

¹⁸FAR §§ 17.503, 17.504.

GWACs provide a broad range of information technology goods and services and resources for agency activities.¹⁹ Each GWAC is operated by an executive agent designated by OMB.²⁰ The Economy Act does not apply when placing orders under GWACs. As of March 30, 2010, four agencies—GSA, NASA, the Department of Health and Human Services, and the Environmental Protection Agency—had OMB authorization to operate GWACs. As shown in table 2 below, these agencies were responsible from 1 to 11 GWAC programs having obligations in fiscal year 2008 totaling almost \$5.3 billion.

Table 2: Governmentwide Acquisition Contracts as of September 30, 2008

Executive agency	Number of GWAC Programs	Total fiscal year 2008 sales (billions)
General Services Administration	11	\$2.93
National Aeronautics and Space Administration	1	\$1.32
Department of Health and Human Services, National Institutes of Health	3	\$1.04
Environmental Protection Agency	1	\$0.00 ^a

Source: GAO analysis of agency information.

^aSales against the Environmental Protection Agency GWAC in fiscal year 2008 totaled less than \$63,000.

Obligations placed against GWACs have ranged from about \$5 to \$6 billion annually, but have declined slightly in recent years from \$5.8 billion in fiscal year 2004 to \$5.3 billion in fiscal year 2008.

Enterprisewide Contracts

Along with using interagency contracts to leverage their buying power, a number of large departments—DOD and DHS in particular—are turning to enterprisewide contracts as well to acquire goods and services. Enterprisewide contracting programs are IDIQ contracts established solely for the use of the establishing agency and can be used to reduce contracting administrative overhead, provide information on agency spending, meet various requirements across the agency, and avoid the fees

¹⁹GWACs are considered MACs, but unlike other MACs, they are not subject to the Economy Act. FAR § 2.101.

²⁰OFPP, within OMB, is responsible for the overall management of the GWAC program.

charged for using interagency contracts, such as a GWAC. Creating enterprisewide contracts can also be a method to support strategic sourcing within the agency and a means of tailoring requirements for agency-unique purposes. They can also be used to specify and enforce specific contract terms and conditions and bring more consistency into the agency contracting processes. Three significant enterprisewide contracting programs are DHS's Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE) and FirstSource programs and the Department of the Navy's SeaPort Enhanced program. EAGLE and FirstSource provide contracts with 64 vendors for information technology services and commodities, respectively, for the 16 components that make up DHS and obligated over \$1.2 billion in fiscal year 2008. The Department of the Navy's SeaPort Enhanced program provides contracts for procuring engineering, technical, programmatic, and professional support services. Currently the program has contracts with over 1,800 vendors and obligated almost \$3.6 billion in fiscal year 2008.

MAS Program

GSA has had a prominent role in providing goods and services to federal agencies for decades as part of its responsibility for administering supplies for federal agencies. Through its MAS program (also referred to in this report as the schedules program), GSA provides federal agencies with a simplified method for procuring various quantities of a wide range of commercially available goods and services. As the largest interagency contracting program, the MAS program provides advantages to both federal agencies and vendors.²¹ Agencies, using the simplified methods of procurement of the schedules, avoid the time expenditures and administrative costs of other methods. Vendors receive wider exposure for their commercial products and expend less effort to selling these products. Moreover, the MAS program is the primary governmentwide buying program aimed at helping the federal government leverage its significant buying power when buying commercial goods and services.

Together, GSA and VA operate 58 schedules. GSA operates 49 schedules, which offer a wide range of goods and services such as office furniture and supplies, personal computers, scientific equipment, library services, network support, laboratory testing services, and management and advisory services. GSA delegated to the VA the authority to solicit,

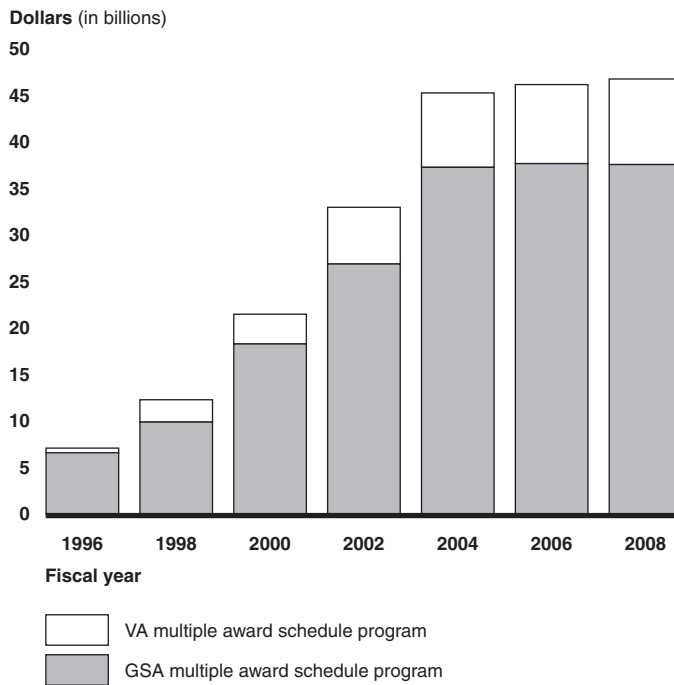
²¹While GSA, in its regulations uses the term "offeror," for purposes of this report we use the term "vendor."

negotiate, award, and administer contracts for selected schedules. VA has seven schedules for various categories of medical/surgical supplies and equipment and pharmaceuticals, and two schedules for various health care services including professional health care and staffing services and laboratory testing and analysis services.

In August 1997, after passage of FASA and the Clinger-Cohen Act, GSA revised its acquisition regulations to promote greater use of commercial buying practices, and streamline the purchasing process for its customers.²² GSA expected these changes to lead to more participation by both large and small businesses, and to increased competition, thereby providing federal agencies a wider range of goods and services at competitive prices. As of December 2009, there were almost 19,000 available contracts providing goods and services on the GSA and VA schedules. While MAS sales by both GSA and VA have grown significantly since 1998, sales have leveled off in recent years, as shown in figure 1.

²²62 Fed. Reg. 44,518 (Aug. 21, 1997).

Figure 1: MAS Program Sales, Fiscal Years 1996 through 2008



Source: GAO analysis of GSA and VA data.
Note: Sales are presented in fiscal year 2009 dollars.

Over the last several years, GSA initiated several changes within the MAS program. In late 2006, the agency reorganized and created the Federal Acquisition Service (FAS), which combined the duties of the Federal Technology Service and the Federal Supply Service. As part of this reorganization, GSA established three primary FAS business portfolios—General Supplies and Services; Integrated Technology Services; and Travel, Motor Vehicle, and Card Services—and gave them management and operational control over the MAS schedules. Within these portfolios, nine acquisition centers located throughout the United States award and manage MAS contracts. GSA also established within FAS the Office of Acquisition Management, which is responsible for ensuring that GSA activities comply with federal laws, regulations, and policies, and that operating practices are consistent across business lines and acquisition centers. In July 2008, within the Office of Acquisition Management, GSA created the MAS Program Office to develop and implement acquisition policy and guidance, define systems requirements, and coordinate program-wide improvements. VA manages its portion of the MAS program from its National Acquisition Center, located in Hines, Illinois. The MAS

Governance Council, established in 2008 as part of the creation of the MAS Program Office, includes representatives from both GSA and VA, and is responsible for addressing and coordinating MAS program issues that affect both GSA and VA.

In 2008, GSA also established a MAS Advisory Panel to provide independent advice and recommendations on MAS program pricing policies and provisions in the context of commercial pricing practices. The panel is made up of representatives from GSA and other federal agencies as well as industry associations. The panel issued its report in February 2010, and made numerous recommendations to GSA regarding the MAS program pricing provisions, competition requirements, and data collection, among other things.²³

Prior Reviews of Interagency Contracts and the MAS Program Raised Concerns

Prior reviews and audits of interagency contracting and the MAS program by GAO and inspectors general have highlighted several management challenges and concerns. Between 1999 and 2009, we and agencies' inspectors general issued 12 audit reports identifying a lack of competition for task and delivery orders issued under ID/IQ contracts. These reports addressed task and delivery orders awarded under the MAS program, GWACs, MACs, and enterprisewide contracts and found that the orders were either not competed, did not provide for fair opportunity, and/or restricted competition. For example, in 2004, we found that contracting officers waived competition requirements for nearly half—34 out of 74—of MAS orders reviewed.²⁴

In early 2005, we reported that the use of interagency contracting vehicles had grown rapidly and numerous issues had surfaced, including problems with internal controls, inadequate competition, unclear definitions of roles and responsibilities, and inadequate training of contracting personnel. As a result, we designated the management of interagency contracting as high risk in 2005.²⁵ We stated in our 2005 high risk report that the government needed to bolster oversight and control over interagency contracting so that it would be well-positioned to realize the benefits of these contracts.

²³Multiple Award Schedule Advisory Panel Final Report (Feb. 2010).

²⁴GAO, *Contract Management: Guidance Needed to Promote Competition for Defense Task Orders*, GAO-04-874 (Washington D.C.: July 30, 2004).

²⁵GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: Jan. 2005).

Even though interagency contracting remains on our list of high-risk areas, there has been an improvement. In 2009, we reported that OMB and federal agencies have made progress toward improving the use of interagency contracting. For example, we reported that OMB issued policy guidance designed to improve the use of interagency contracting across the government.²⁶

In 2005, we also reported on GSA's schedules program pointing out several problems related to schedule contract pricing based on GSA's review of selected MAS contract files from fiscal year 2004.²⁷ Nearly 60 percent of the contract files GSA reviewed lacked the documentation needed to establish clearly that GSA had effectively negotiated schedule prices. GSA was also not effectively using pricing tools such as pre-award audits, to meet its pricing objectives. In response to a recommendation in our report, GSA significantly increased the number of annual pre-award audits resulting in a total of almost \$4 billion in cost avoidances over a five year period.

In 2007, the Acquisition Advisory Panel—often referred to as the SARA panel—reported in fiscal year 2004, FPDS-NG data showed that total obligations for interagency contracting reached \$142 billion, or 40 percent of the total obligated governmentwide on contracts that year.²⁸ The panel concluded that pressures and incentives for agencies to establish and use interagency contracting vehicles, coupled with little oversight or transparency, had created an environment that allowed the uncoordinated proliferation of interagency contracts, which in turn hampered the government's ability to maximize the effectiveness of these contracts. While the panel report provided an estimate of the total obligations for interagency contracts in fiscal year 2004, it also stated that the FPDS-NG

²⁶GAO, *High-Risk Series: An Update*, [GAO-09-271](#) (Washington, D.C.: Jan. 2009).

²⁷GAO, *Contract Management: Opportunities to Improve Pricing of GSA Multiple Award Schedules Contracts*, GAO-5-229 (Washington, D.C.: Feb. 11, 2005).

²⁸The panel was established by Section 1423 of the Services Acquisition Reform Act of 2003, which was enacted as part of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. No. 108-136, (2003)). The statute tasked the panel, among other things, to review governmentwide policies regarding the use of governmentwide contracts. We did not assess the reliability of the data reported by the panel.

data used to make this estimate and analyze interagency contracts were not reliable at the detailed level.²⁹

In 2009, the DOD's Inspector General found problems with enterprisewide contracting reporting that the Department of the Navy's SeaPort Enhanced internal controls were not adequate.³⁰ Furthermore, the Inspector General found that the SeaPort Enhanced program office did not ensure that task orders were open for bidding for the length of time specified and deviated from FAR criteria by not performing adequate market research. In another report issued in 2009, the DOD Inspector General reported that 72 percent—21 out of 29—of the task orders awarded under a GWAC valued at \$13.9 million had insufficient competition.³¹

With Insufficient and Unreliable Data and Limited Governmentwide Policy, Agencies' Use of Interagency and Enterprisewide Contracts May Result in Inefficient Contracting

Interagency and enterprisewide contracts should provide an advantage to the government in buying billions of dollars worth of goods and services, yet OMB and agencies cannot be sure they are leveraging this buying power because they lack the necessary comprehensive, reliable data to effectively manage and oversee these contracts. Additionally, the government's lack of an overarching governmentwide policy to ensure that leveraging happens further exacerbates the problem. Absent governmentwide data and policy, agencies have created numerous MACs and enterprisewide contracts using existing statutes, the FAR, and agency-specific policies. The creation of these contracts is based on a number of rationales and reasons including avoiding fees that would be paid for using interagency contracts, allowing for cost-reimbursement contracts, and getting more control over the procurement actions of their sub-components. Under these conditions, however, duplication of similar contracts and inefficiencies have occurred. Both government contracting officials and representatives of vendors expressed concerns about this condition. While some steps are being taken to improve this condition, more can be done to improve the government's buying power.

²⁹Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress (Washington, D.C.: Jan. 2007). Chap. 3 and Chap. 7.

³⁰Inspector General, Department of Defense, *SeaPort Enhanced Program*, D-2009-082 (Arlington, Va.: May 6, 2009).

³¹Inspector General, Department of Defense, *FY 2007 DOD Purchases Made Through the National Institutes of Health*, D-2009-064 (Arlington, Va.: March 24, 2009).

The Identification and Use of MACs and Enterprisewide Contracts Is Unknown

Prior attempts by the acquisition community to identify interagency and enterprisewide contracts have not resulted in a reliable database useful for identifying or providing governmentwide oversight on those contracts. In 2003, a FAR rule established an interagency contracting directory to collect information on interagency contracting vehicles.³² In 2006, OFPP started the Interagency Contracting Data Collection Initiative to identify and list the available GWACs, MACs, and enterprisewide contracts. OFPP requested that all federal agencies with interagency contracts report the number of contracts available with a description of what was available on each contract, which agencies could use it, the reason for creating it, and whether or not there was a completed business case analysis on the contract. Twenty-two of the 24 major federal agencies responded to OMB. The initiative was a one-time effort and thus has not been updated since.

In conducting this review, we could not identify the universe of MACs and enterprisewide contracts because the data available in the official government contracting data system, FPDS-NG, were insufficient and unreliable. Despite its critical role, we have consistently reported on FPDS-NG data quality issues over a number of years and found problems.³³ In 2009, we testified that OMB has taken steps to address some of these problems; however, the quality of some FPDS-NG data remains an issue.³⁴ The fiscal year 2009 National Defense Authorization Act requires that the Director of OMB direct improvements to the FPDS-NG to collect more complete and reliable data on interagency contracting actions.³⁵ These requirements, however, do not call for capturing data on enterprisewide

³²68 Fed. Reg. 43,859 (July 24, 2003). This rule added new FAR subpart 5.6, Publicizing Multiagency Use Contracts, which (1) provides the Internet address to access the database (i.e., www.contractdirectory.gov); (2) requires contracting activities to enter information into the database within 10 days of award of a procurement instrument intended for use by multiple agencies; and (3) required contracting activities to enter information into the database by October 31, 2003, on all contracts and other procurement instruments intended for multiple agency use existing at the time of the FAR amendment.

³³We made a number of narrowly focused recommendations on FPDS-NG data quality in 2005. While these recommendations have been addressed, our subsequent work shows that FPDS-NG data reliability remains an issue.

³⁴GAO, *Federal Contracting: Observations on the Government's Contracting Data Systems*, GAO-09-1032T (Washington, D.C.: Sept. 29, 2009).

³⁵The data to be collected is to contain information on interagency contracting actions at the task or delivery order level and other transactions, including the initial contract and any subsequent modifications awarded or orders issued. Pub. L. No. 110-417 § 874 (2008).

contracts, which are now being used to achieve savings as part of the governmentwide strategic sourcing initiative.

Most of the senior procurement executives, acquisition officials and vendors we spoke with believed a publicly available source of information on these contracts is necessary. Senior procurement executives from DHS and DOD stressed the usefulness of a governmentwide clearinghouse of information on existing contracts. Sixteen of the 17 contracting officers we spoke with stated that having a publicly available listing of contracts, for example, could reduce their market research time. For instance, one official stated that it is a “hunt and search” effort to find contract vehicles and that a central database would reduce market research time and allow contract actions to be processed faster. An official from GSA told us there is not enough information on currently available contracts, which requires their contracting officers to rely on Internet searches and informal discussions to locate contract vehicles. Furthermore, a number of vendors we spoke with also stated they would favor a central source of information on available contracts and believe this source would help increase transparency.

Agency officials we spoke with said that if agencies could easily find an existing contract they would avoid unnecessary administrative time to enter into a new contract, which they said could be significant. One official stated that if there were an awareness of what was available to use, it would help to reduce their acquisition lead time. A Department of the Navy procurement official told us that by awarding fewer larger contracts, the Department of the Navy and DOD have created efficiencies resulting in lower prices. The SARA panel report previously noted some of these concerns, stating that too many choices without information related to the performance and management of these contracts make the cost-benefit analysis and market research needed to select an appropriate acquisition vehicle impossible. This is particularly important given OMB’s June 2008 guidance on interagency contracting that requires agencies to make a determination that using an interagency contracting vehicle is in their best

interest; taking into account factors such as whether the vehicle is suitable to meet their needs and provides the best value.³⁶

Governmentwide Policy on MACs and Enterprisewide Contracts Is Limited; Agencies Use Various Procedures to Establish and Manage These Contracts

Federal agencies operate with limited governmentwide policy that addresses the establishment and use of MACs and enterprisewide contracts. Federal regulations generally provide that an agency should consider existing contracts to determine if they might meet its needs.³⁷ In contrast, GWAC creation and management has governmentwide oversight. OFPP, as part of OMB, exercises statutory approval authority regarding establishment of a GWAC. Once established, agencies provide annual reports to OFPP, as part of OMB, on GWACs. The senior procurement executives we spoke with had mixed views on the proper role of OFPP in providing clarification and oversight to agencies establishing their own contract vehicles. For example, Army senior acquisition officials representing the senior procurement official told us that the policy on interagency contracting is not cohesive. In their view, OFPP should provide policy and guidance that agencies would be required to follow. They also think surveillance of interagency contracts is a major issue since proper oversight is sometimes lacking. Similarly, officials from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics stated that OFPP is the right agency to take the leadership role on strategic sourcing for services. They added, however, that OFPP might not have sufficient staff to do so. In contrast, the Senior Procurement Executive for the Department of the Navy pointed to agency-specific circumstances or requirements that create uncertainty about the utility of broad OFPP guidance.

The six federal agencies and the three military departments we reviewed, responsible for almost 87 percent of total federal procurement obligations in fiscal year 2008, have policies that require approval and review for acquisition planning involving contracts for large dollar amounts which would generally include the establishment of MACs and enterprisewide contracts. The review process varies from agency to agency. For

³⁶OMB interagency contracting guidance issued in 2008 discusses how to use and manage interagency contracts including how to place orders off of an existing contract. This guidance provides that agencies shall ensure that decisions to use interagency acquisitions are supported by best interest determinations before placing orders against other agencies contracts. OMB Memorandum, *Improving the Management and Use of Interagency Acquisitions* (June 6, 2008).

³⁷FAR § 7.105.

example, an official from the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics told us that any new DOD contract estimated at over \$100 million would be required to go through a review process to ensure that no other contract exists that could fulfill the new requirement. As another example, DHS requires that the senior procurement executive approve the establishment of each enterprisewide contract. The policy requires that each enterprisewide contract coordinate requirements between operating entities and determine administrative costs prior to approval.

Furthermore, agencies have issued guidance encouraging the use of enterprisewide contracts rather than using interagency contracts. DOD guidance on acquisition of services—accounting for over 50 percent of DOD’s obligated contract dollars—advises that contracting officers consider the use of internal DOD contract vehicles to satisfy requirements for services prior to placing an order against another agency’s contract vehicle. Similarly, DHS senior procurement executives told us that DHS policy requires buyers to consider EAGLE and FirstSource—both DHS enterprisewide contracts—before they go to other sources to fulfill information technology requirements. In fact, OMB recently reported that 20 of the 24 largest procuring activities are planning on reducing procurement spending by implementing strategic sourcing initiatives by using enterprise contracting to leverage their buying power.³⁸ These initiatives are part of the administration’s goal of reducing contract spending by 7 percent over the next 2 years.

Departments and Agencies Cite a Variety of Reasons for Establishing MACs and Enterprisewide Contracts Instead of Using Existing Contracts

Agencies we met with cited several reasons for establishing their own MACs and enterprisewide contracts including cost avoidance through lower prices, and fewer fees compared to other vehicles, mission specific requirements, and better control over the management of contracts. As shown in tables 3 and 4 below, when deciding to award a MAC or an enterprisewide contract, agencies listed a number of reasons in the acquisition plans for not using existing contracts.

³⁸Office of Management and Budget, *Acquisition and Contracting Improvement Plans and Pilots: Saving Money and Improving Government* (Washington D.C.: Dec. 2009).

Table 3: Selected Agencies' and Military Departments' Reasons for Establishing MACs and Enterprisewide Contracts in Lieu of Using the GSA MAS Program

Multiagency contracts and enterprisewide contracts	Purpose and Reason	GSA prices too high	Technology refresh delays due to dependence on changes to MAS contracts	Does not allow a range of contract types, i.e., cost type contracts or include required contract terms and conditions.	Would require large number of schedules	Cannot ensure products are in compliance with DOD standards	Outside the continental United States	Review and approval for the use of non-DOD contract vehicles
MAC: Army Desktop and Mobile Computing-2 (ADMC-2) (Approved August 2005)	Provide commercial information technology equipment to integrate, modernize, and refresh the Army's existing architecture while providing standardized interfaces.	X	X		X	X	X	X
MAC: Army Information Technology Enterprise Solutions-2 Hardware (ITES-2H) (Approved June 2006)	Support the Army enterprise infrastructure with a full range of state-of-the-market information equipment and incidental integration services. Scope encompasses all requirements for information technology.	X	X		X	X	X	X
MAC: Army Information Technology Enterprise Solutions-2 Services (ITES-2S) (Approved September 2005)	Support the Army enterprise infrastructure with a full range of information technology services.	X ^a						
MAC: Defense Information Systems Agency Encore II (Approved December 2005)	Support the agency mission area resulting in contracting solutions that provide support of all functional requirements including Command and Control, Intelligence, and Mission support areas, and to all elements of the Global Information Grid.			X				X
Enterprisewide contracts: Acquisition of Services in support of the Department of the Navy and Marine Corps SeaPort Enhanced (SeaPort-e) (Approved May 2005)	Facilitate the implementation of an enterprisewide approach to the acquisition of services to implement cost-effective and integrated business practices to better support the Department of the Navy. ^b							
Enterprisewide contracts: Homeland Security Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE)(Approved August 2005)	Provide a comprehensive range of information technology support services for use throughout the agency through a centrally managed program.			X				
Enterprisewide contracts: Homeland Security First Source (Approved September 2005)	Provide access to a wide variety of information technology products for use throughout the agency through a centrally managed program.	X						

Source: GAO analysis of agencies' acquisition plans.

^aCan more effectively leverage industry to partner with the Army as opposed to utilizing GSA schedules to conduct a large number of smaller acquisitions.

^bAnalysis of alternatives was not discussed in the acquisition strategy.

Table 4: Selected Agencies' and Military Departments' Reasons for Establishing MACs and Enterprisewide Contracts in Lieu of Using GWACs and MACs Identified by Agencies

Multiagency contracts and enterprisewide contracts	Purpose and Reason	GWAC prices too high	Criticism regarding Agency reliance governmentwide acquisition contracts	Confusing for ordering activities	Cannot ensure products are in compliance with DOD standards	Outside the continental United States	Review and approval for the use of non-DOD contract vehicles	Create dependence on external agencies	Vehicles do not include required contract terms and conditions
MAC: Army Desktop and Mobile Computing-2 (ADMC-2) (Approved August 2005)	Provide commercial information technology equipment to integrate, modernize, and refresh the Army's existing architecture while providing standardized interfaces.	X		X	X	X	X		
MAC: Army Information Technology Enterprise Solutions-2 Hardware (ITES-2H) (Approved June 2006)	Support the Army enterprise infrastructure with a full range of state-of-the-market information equipment and incidental integration services. Scope encompasses all requirements for information technology.	X		X	X	X	X		
MAC: Army Information Technology Enterprise Solutions-2 Services (ITES-2S) (Approved September 2005)	Support the Army enterprise infrastructure with a full range of information technology services. ^a								
MAC: Defense Information Systems Agency Encore II (Approved December 2005)	Support the agency mission area resulting in contracting solutions that provide support of all functional requirements including Command and Control, Intelligence, and Mission support areas, and to all elements of the Global Information Grid.								X
Enterprisewide contracts: Acquisition of Services in support of the Department of the Navy and Marine Corps SeaPort Enhanced (SeaPort-e) (Approved May 2005)	Facilitate the implementation of an enterprisewide approach to the acquisition of services to implement cost-effective and integrated business practices to better support the Department of the Navy. ^b								

Multiagency contracts and enterprisewide contracts	Purpose and Reason	GWAC prices too high	Criticism regarding Agency reliance governmentwide acquisition contracts	Confusing for ordering activities	Cannot ensure products are in compliance with DOD standards	Outside the continental United States	Review and approval for the use of non-DOD contract vehicles	Create dependence on external agencies	Vehicles do not include required contract terms and conditions
Enterprisewide contracts: Homeland Security Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE) (Approved August 2005)	Provide a comprehensive range of information technology support services for use throughout the agency through a centrally managed program.	X	X					X	
Enterprisewide contracts: Homeland Security FirstSource (Approved September 2005)	Provide access to a wide variety of information technology products for use throughout the agency through a centrally managed program.	X	X					X	

Source: GAO analysis of agencies' acquisition plans.

^aThe analysis of alternatives did not discuss GWACs or other MACs in the acquisition strategy.

^bAnalysis of alternatives was not discussed in the acquisition strategy.

The following examples provide more detail about why agencies created MACs and enterprisewide contracts shown in tables 3 and 4.

- The Army cited several reasons for establishing their ITES-2S and ITES-2H contracts—MACs for information technology hardware and services—in 2005 and 2006. The Army wanted to standardize its information technology contracts so each contract would include the required Army and DOD security parameters. According to the Army, GSA contracts do not automatically include these security requirements and using a GSA contract would require adding these terms to every order. The Army also cited timeliness concerns with GSA contracts and GSA fees as reasons for establishing their own contracting vehicles.
- The Department of the Navy cited numerous reasons for setting up its SeaPort Enhanced program, an enterprisewide contract, established in April 2001. According to the Department of the Navy Senior Procurement Executive, the Department of the Navy created this program to reduce costs associated with buying services. Program officials stated there were problems with interagency contracting and wanted to make sure they had more control over their procurements. They stated further that GSA's fees made its schedules programs cost prohibitive. The Department of the Navy officials also stated they wanted more insight into their procurements, which they could not

gain when using the GSA schedules. Finally, the Department of the Navy also wanted to be able to use cost-reimbursable contracts, which are not allowed by the GSA's MAS program. The Department of the Navy felt this prohibition hindered their efforts to make their acquisitions efficient.

- In 2005, DHS established EAGLE and FirstSource contracting programs that both involve enterprisewide contracts used for information technology products and services. Officials stated the main reason these programs were established was to avoid the fees associated with using other contract vehicles and save money through volume pricing. In addition, the programs centralized procurements for a wide array of mission needs among its many agencies. EAGLE was approved around the time of Hurricane Katrina and DHS determined it would be easier to coordinate assistance if the department had contractors together under one program, which would allow DHS to better manage them. Furthermore, DHS officials stated they wanted to be able to coordinate the people managing the contracts, which did not happen when using GSA contracts.

Other departments and agencies are moving toward awarding their own contracts. For example, in late 2009, VA was in the process of establishing a new MAC to provide an array of information technology services, including program management, systems engineering, cybersecurity and enterprise network systems. VA officials stated that this new contracting program—called the Transformation Twenty-One Total Technology (T4)—will help VA and others procure services at a lower fee than what VA would pay by ordering through the GSA schedules program or the NASA GWAC.

Vendors and Agency Officials Expressed Concerns about Contract Duplication and Associated Management Efforts and Costs

We found the same vendors, on many different contract vehicles providing information technology goods or services, which may be resulting in duplication of goods and services being offered. See table 5 below showing that the top 10 GWAC vendors, based on sales to the government, offer their goods and services on a variety government contracts that all provide information technology goods and services. For example, of the 13 different contract vehicles, 5 of the 10 vendors were on 10 or more of these.

Table 5: Top 10 GWAC Vendors on GWACs, MACs, and Enterprisewide Contracts

Type of contract by agency or military department	Vendors									
	1	2	3	4	5	6	7	8	9	10
Selected GWACs										
General Services Administration										
Alliant. Designed to provide information technology solutions to federal agencies.	X	X	X	X		X	X	X	X	
Applications'N Support for Widely-diverse End-user Requirements (ANSWER) Expired. Can support an array of information technology services.	X	X	X				X	X	X	
Millennia. Provides information technology support for large system integration and development. Expired.	X		X	X		X	X		X	
Millennia Lite. Provides information technology solutions.	X	X	X	X		X	X	X		
National Aeronautics and Space Administration										
Scientific and Engineering Workstation Procurement (SEWP). Provides information technology products.						X				X
National Institutes of Health, Department of Health and Human Services										
Chief Information Officer-Solutions and Partner 2 innovations (CIO-SP2). Provides wide range of information technology products, services, and solutions.	X	X	X	X		X	X	X	X	
Electronic Commodities Store III (ECS III). Offers computer hardware and software.		X				X				X
General Services Administration Multiple Award Schedules										
Information Technology	X	X	X	X	X	X	X	X	X	X
Selected MACs										
Army										
Information Technology Enterprise Solutions-2 (ITES-2). Provides information technology service solutions and the purchase or lease of hardware.	X	X	X	X	X		X	X	X	X
Defense Information Systems Agency										
ENCORE II. Provides information technology requirements.	X		X	X		X	X	X	X	
Department of Treasury										
Total Information Processing Support Services (TIPSS-3). Provides a broad range of information technology services.	X	X	X	X			X		X	
Selected enterprisewide contracts										
Department of Homeland Security										
Enterprise Acquisition Gateway for Leading-Edge Solutions (EAGLE). Provides information technology service solutions.	X	X	X	X		X	X	X	X	
Department of Justice										
Information Technology Support Services-3 (ITSS-3). Procurement of information technology services.	X	X		X		X	X			
Total	11	10	10	10	4	8	11	8	9	4

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

Note: Not all of the agencies or contract programs were included in our review.

Vendors and agency officials we met with expressed concerns about duplication of effort among the MACs, GWACs, and enterprisewide contracts across government, which they said can result in increased procurement costs and an increased workload for the acquisition workforce. A number of vendors we spoke with told us they offer similar products and services on multiple contract vehicles and that the effort required to be on multiple contracts results in extra costs to the vendor, which they pass to the government through the prices they offer. The vendors stated that the additional cost of being on multiple contract vehicles ranged from \$10,000 to \$1,000,000 due to increased bid and proposal and administrative costs. One vendor stated that they provide similar goods and services on the Department of the Navy's Seaport Enhanced contract and their GSA schedule. In addition, we found one vendor offering the exact same goods and services on both their GSA schedule and the NASA's GWAC and offering lower prices on the GWAC. Another vendor stated that getting on multiple contract vehicles can be cost-prohibitive for small businesses and forces them to not bid on a proposal or to collaborate with a larger business in order to be on a contract vehicle. Finally, a third vendor stated that GSA vehicles compete with enterprisewide or agency-specific vehicles, and from industry's perspective, it has introduced redundant buying capacity.

Government procurement officials expressed additional concerns. For example, an official from OFPP has stated that such duplication of effort only complicates the problem of an already strained acquisition workforce. GSA officials have also remarked on the growth of multiagency and enterprisewide contracts, which often compete directly with GSA schedule contracts. The FAS Deputy Commissioner stated that while the agencies cite GSA fees as a reason for creating their own vehicles, agencies fail to consider the duplication of effort and cost of doing these procurements. Rather, these agencies need to consider the GSA fee as an opportunity cost for the agency if they do not have to create their own contract. In addition, he noted that creating additional contracts can place unnecessary demands on an already strained acquisition workforce.

Legislation Requires the FAR to be Amended to Provide Requirements for a Business Case Analysis for MACs, but Does Not Address Enterprisewide Contracts

Recent legislation and OFPP initiatives are expected to strengthen oversight and management of MACs, but these initiatives do not address enterprisewide contracts. The 2009 National Defense Authorization Act required, one year after its enactment, that the FAR be amended to require that any MAC entered into by an executive agency after the amendment's effective date be supported by a business case analysis.³⁹ Under the act, the FAR requirement for the business case is to include an analysis of all direct and indirect costs to the federal government of awarding and administering a contract and the impact it would have on the ability of the federal government to leverage its buying power. However, the act is silent on what steps an agency should take to examine the effect a new contract will have on the ability of the government to leverage its buying power. Additionally, the act does not address similar requirements for enterprisewide contracts. Under the act, the pending FAR rule relating to this legislation was required to be issued by October 15, 2009; however, the rule was still in progress as of January 29, 2010.⁴⁰ The act also requires an amendment of FAR to require that all interagency acquisitions include a written agreement between the requesting agency and the servicing agency that assigns responsibility for the administration and management of the contract and a determination that the acquisition is the best procurement alternative.

Senior procurement executives we met with were generally in favor of this new requirement for MACs. For example, DOD representatives said that the requirement would help them better manage MACs because it will create metrics with which they can measure success. The NASA Senior Procurement Executive noted that the new requirement could better ensure that other agencies properly use the NASA contract vehicles. However, VA officials representing the department's Senior Procurement Executive expressed concern about the time it might take to approve a contract and ensure that agencies comply with the new requirement.

³⁹Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, Pub. L. No. 110-417 § 865 (2008).

⁴⁰Open FAR Case No. 2008-032, "Preventing Abuse of Interagency Contracts." On the Open FAR Cases, as of January 29, 2010, this case is described as to implement-Section 865 of the National Defense Authorization Act for Fiscal Year 2009 (Pub. L. No. 110-417), which addresses issues relating to interagency acquisitions. Also, on the Open FAR Cases, the status of the case as of January 21, 2010, is stated as "OFPP identified draft interim FAR rule issues" and "OFPP, FAR and DAR staff resolving issues."

Nevertheless, a business case analysis approach for MACs has the potential to provide a governmentwide approach to awarding MACs as was pointed out by the SARA panel. The panel reported that proper business planning requires management deliberation and accountability, identification of the roles and responsibilities of the requiring and servicing agency, and the means to communicate this to approving officials. The panel noted that the OFPP review and approval process for GWACs could serve as a good business model for approving MACs. Using the GWAC process as a model, the full business case analysis as described by the SARA panel, would need to include measures to track direct and indirect costs associated with operating a MAC. It would also include a discussion about the purpose and scope, and the amount and source of demand. Further, the business case would need to identify the benefit to the government along with metrics to measure this benefit. Moreover, the agency seeking approval to establish a MAC would be required to identify the planned contracting practices, the division of responsibilities between the servicing agency and the customer agency, and the management structure.

GSA's Efforts to Determine Whether It Obtains the Best Prices on MAS Contracts Is Hindered by the Limited Application of Selected Pricing Tools

GSA's MAS program is the largest government interagency contracting program, with approximately 17,000 of the 19,000 contracts involved in the federal supply schedules program, but GSA's limited application of selected pricing tools hinders its ability to determine whether it obtains the best MAS contract prices. Because vendors do not compete against each other to receive MAS contracts, GSA uses two regulatory controls to obtain the best prices for its customers throughout the existence of the MAS contracts they use. The first is the goal that GSA obtain the best prices for MAS contracts that vendors offer their most favored customers. The second is a price reduction clause in each MAS contract that generally operates to reduce the MAS contract price after contract award whenever the vendor lowers its prices for its similarly situated commercial customers. GSA also uses tools such as pre-award audits and clearance panel reviews to negotiate best prices and ensure the quality of contract negotiations, respectively, but the use of these tools is limited to a relatively small number of MAS contracts, thus hindering their effectiveness. We also found several instances where GSA acquisition centers did not hold clearance panel reviews as required. An advisory panel established by GSA has made recommendations that could result in changes to the program's pricing controls and tools but concerns remain that these changes could adversely affect GSA's ability to negotiate best prices.

GSA Has Established Two Key Regulatory Controls to Obtain Vendors' Best Prices

The goal of the MAS program, according to internal GSA guidance, is to use commercial terms and conditions and the leverage of the government's volume buying to negotiate the best possible prices and terms for customers and taxpayers.⁴¹ Vendors do not compete against each other to receive MAS contracts. Instead, GSA evaluates a vendor's offer under a multiple award schedule solicitation by comparing the terms and conditions of the MAS contract solicitation to the terms and conditions of the vendor's agreements with its commercial customers, taking into account factors such as prices and discounts offered to the vendor's commercial customers, sales volume, and contract length, in order to establish price negotiation objectives.⁴² Additional information on the MAS contract award process is available in appendix II.

The negotiation objective described above, which calls for comparing prices and discounts that a vendor offers the government with the prices and discounts that a vendor offers its similarly situated commercial customers, is done as part of GSA's goal to receive "most favored customer" pricing for MAS contracts. When trying to achieve this negotiation objective, GSA seeks to obtain the best price a vendor provides its most favored customer while recognizing that there may be legitimate reasons why the best price is not achieved given that terms and conditions of commercial sales vary.⁴³ For example, a vendor may incur more expenses selling to the government than to a customer who receives the vendor's best prices, which could justify a smaller price discount for the government. Most favored customer pricing is one of the two key regulatory provisions that GSA has established in its acquisition regulations that work together to obtain the best prices throughout the life of MAS contracts. The second pricing provision is the inclusion of a price reduction clause in MAS contracts.⁴⁴ This provision provides price protection for the government following contract award if a vendor lowers

⁴¹GSA, Federal Supply Schedule Procurement Information Bulletin 04-2 (Jan. 30, 2004).

⁴²48 C.F.R. § 538.270(c).

⁴³Most favored customers are customers or categories of customers that receive the best prices or discounts from vendors for similar purchases. 48 C.F.R. §§ 538.270; 538.271; and 538.272. GSA recognizes that the pursuit of most favored customer pricing is consistent with the objective of negotiating a fair and reasonable price. (62 Fed. Reg 44,518, 44,519 (Aug. 21, 1997).) GSA regulations permit awards at prices greater than the most favored customer price so long as the award is in the best interest of the government and the price is fair and reasonable. 48 C.F.R. § 538.270(a) and (d).

⁴⁴48 C.F.R. §§ 538.272 and 552.238-75.

its prices to commercial customers during the contract period.⁴⁵ However, GSA officials we spoke with said that they do not collect data to show how often the price reduction clause is invoked to reduce schedule prices, as the data they track on price adjustments for MAS contracts does not specify whether the price is increased or reduced. Consequently, it is difficult to assess whether the clause accomplishes its objective over the life of the various schedule contracts. Despite this lack of data, several vendors and MAS acquisition center officials we met with expressed concerns about the resources and administrative burden required for vendors to comply with the current pricing provisions. For example, representatives of one vendor we met with noted the difficulty in defining and tracking labor categories across a large company in order to comply with the most favored customer pricing provision. On the other hand, GSA Inspector General Officials we spoke with said that the pricing provisions are essential tools to ensuring that GSA can negotiate best prices for its customers.

Limited Use of Certain MAS Pricing Tools Hinders Their Effectiveness

In addition to its regulatory pricing controls, GSA also uses pre-award audits, prenegotiation clearance panels and procurement management reviews (PMR) as tools to negotiate favorable pricing outcomes and ensure the quality of MAS contract negotiations. These tools also provide information on MAS contracts' compliance with the regulatory pricing controls discussed above. However, GSA uses these tools primarily for a small number of larger dollar value contracts, thus limiting its ability to evaluate the effectiveness of the regulatory pricing controls and obtain the best prices under MAS contracts.

One of these tools is the pre-award audit, conducted by the GSA Inspector General. These audits enable contract negotiators to verify that vendor-supplied pricing information is accurate, complete, and current before

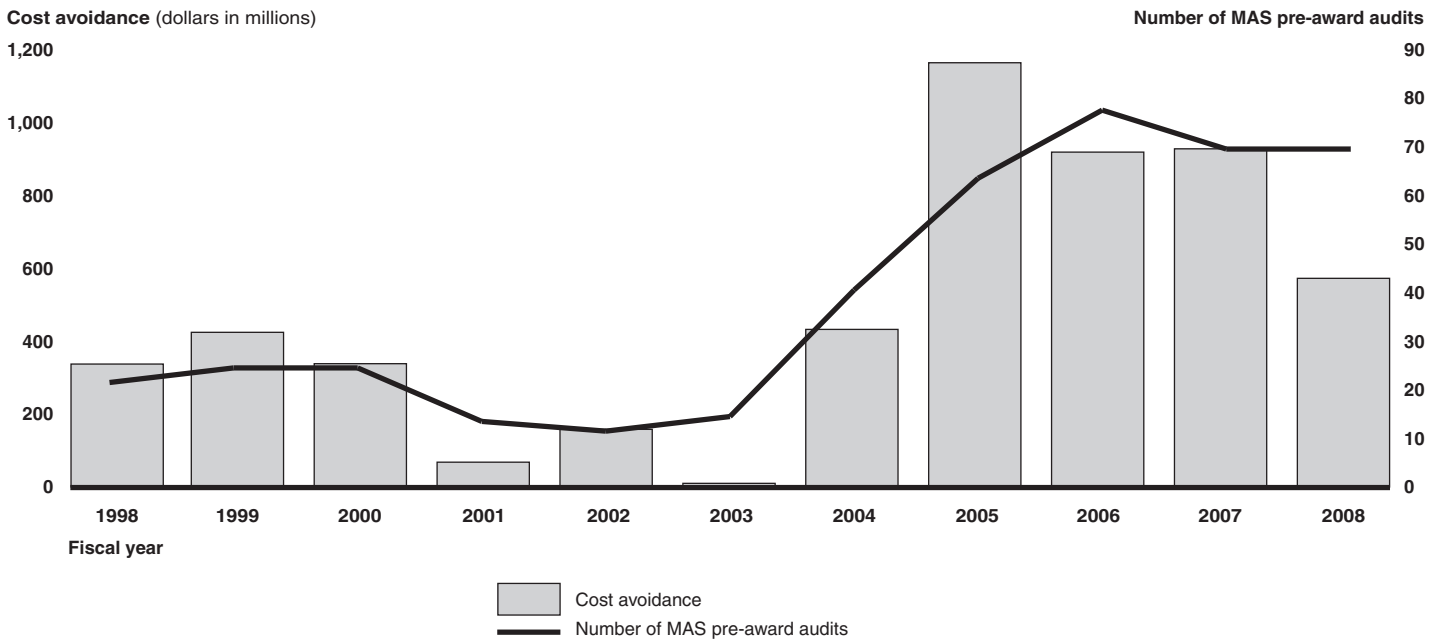
⁴⁵The price reduction clause requires the contractor to maintain the negotiated price/discount relationship between the government and the vendor's customer or category of customers on which the contract was predicated, as identified in the MAS contract. The clause is triggered if the vendor lowers its price following contract award for the customer that served as the basis of negotiation for the contract. 48 C.F.R. §§ 538.272, 538.271(c). The clause does not apply to several categories of sales: (1) sales to commercial customers under firm fixed-price definite quantity contracts with specified delivery in excess of the MAS contract's maximum order threshold; (2) sales to federal agencies; (3) sales to state and local government entities under a MAS contract where the state or local government is the customer that is the basis of award; or (4) sales caused by an error in quotation or billing. 48 C.F.R. § 552.238-75(d).

contract award. Ultimately, the pre-award audits can result in lower prices for the users of MAS contracts by identifying opportunities for GSA to negotiate more favorable price discounts when awarding contracts based on an analysis of the prices, terms, and conditions offered to the vendor's most favored customer. For example, a pre-award audit of an office furniture vendor's MAS contract with an estimated value of approximately \$700 million identified the potential for greater discounts that could result in savings of approximately \$20 million over the contract period given that the government was the vendor's largest customer. For contract extensions, these audits can also review compliance with the price reduction clause in the prior contract period.

Following a decline in the number of pre-award audits—and associated cost avoidance—in the early 2000s compared to earlier years, GSA increased the number of pre-award audits in recent years by providing additional funding to the GSA Inspector General to perform the reviews, allocating \$5 million annually for pre-award audits.⁴⁶ As a result, the GSA Inspector General has identified almost \$4 billion in potential cost avoidance through pre-award audits from fiscal years 2004 through 2008. Figure 2 below shows the increase in identified MAS contract cost avoidance as the number of pre-award audits has increased in recent years:

⁴⁶Beginning in fiscal year 2009, GSA moved to fund pre-award audits through direct appropriations to the GSA Inspector General instead of reimbursable funding from GSA.

Figure 2: GSA MAS Pre-Award Audits, Fiscal Years 1998 through 2008



Source: GSA Inspector General data.
 Note: Cost avoidance data are presented in fiscal year 2009 dollars.

While the number of pre-award audits and identification of potential cost avoidance has increased in recent years, GSA could be missing additional opportunities for cost savings on MAS contracts by not targeting for review more contracts that are eligible for audit. GSA guidance instructs contract negotiators to request audit assistance for new contract offers and extensions as appropriate when a contract’s estimated sales exceed \$25 million for the 5-year contract period.⁴⁷ However, not all contracts that meet this threshold receive an audit, and the current number of audits represents a very small number of contracts relative to the size of the MAS program. For example, 69 pre-award audits were completed in fiscal year 2008. In addition, for the GSA Inspector General’s audit planning effort for the two year period of 2009 through 2011, more than 250 contracts that exceeded the \$25 million threshold were not selected for audit due to resource constraints, compared to 145 contracts that were. These 145

⁴⁷Contracts that fall below the \$25 million threshold may also be selected for audit based on issues such as a specific concern with a vendor’s MAS contract.

contracts, with an award value of approximately \$4.7 billion, represent only 2 percent of the total award dollars for all MAS contracts.

GSA uses other tools designed to improve the quality of MAS contract negotiations, but their effectiveness is limited by incomplete implementation and a narrow scope. In 2003, GSA established an Acquisition Quality Measurement and Improvement Program, which was designed to create management controls to assess and improve the quality of MAS contract negotiations. This program included a prenegotiation clearance panel process to help MAS acquisition center management ensure the quality of its most significant contract negotiations. Under this initiative, MAS acquisition centers hold meetings on contracts that meet a defined dollar threshold to review the contract's negotiation objectives with an emphasis on pricing.⁴⁸

MAS acquisition center officials we spoke with said the panel reviews were a valuable tool to ensure that contract negotiators have done a proper market analysis to support the contract's pricing and that the processes used within an acquisition center to negotiate and award contracts are consistent. Nevertheless, we found that acquisition centers had not fully implemented the panel reviews, thus limiting their effectiveness. We identified several instances of contracts that met their acquisition center's dollar threshold where there was no indication that a panel review was held. These ranged from one contract for consulting services with an estimated value of \$12.5 million to another for information technology equipment and services with an estimated value of approximately \$276 million. GSA officials we spoke with regarding the panel reviews said that they do not check whether contracts that met the appropriate threshold received a panel review, even though this is supposed to be done as part of the panel reporting process. In addition, the GSA Inspector General recently reported that GSA had not clearly defined management reporting responsibilities for the panel reviews following the reorganization of the FAS, further limiting the intended benefits of the initiative. In response to these issues, GSA has begun the process of updating its prenegotiation clearance panel guidance to reflect the current FAS management structure and review whether panel reviews were completed for contracts that met or exceeded the panel thresholds, which it plans to finalize in 2010.

⁴⁸ Among the MAS Acquisition Centers we reviewed, the prenegotiation clearance panel thresholds ranged from \$1.8 million to \$25 million in estimated annual sales.

GSA also conducts PMRs through its Office of the Chief Acquisition Officer to assess the quality of contract negotiations through a review of selected contract files' compliance with statutes, regulations, and internal policy and guidance. The reviews replaced a similar effort that was part of the Acquisition Quality Measurement and Improvement Program, and cover a number of acquisition organizations within GSA, including MAS acquisition centers. In terms of MAS contract pricing, the PMRs review whether a contract's discounts, terms and conditions are equal to or better than those for the vendor's most favored customer, and whether the contract negotiator properly documented how the contract's price was determined to be fair and reasonable, among other things. Following the review, the acquisition center receives a report that includes the review's findings, as well as recommendations for improvement that require corrective action plans. In PMR reports we reviewed from fiscal years 2008 and 2009, we found several examples of PMR findings relating to deficiencies in MAS contract pricing including: insufficient file documentation to support price reasonableness; files that did not clearly establish the price/discount relationship with vendors' categories of customers; and contract files that did not address which of the vendor's customers would serve as the basis for the price reduction clause.

While the PMRs can be a valuable tool for identifying areas for improvement in MAS contract negotiations and pricing, the scope of the reviews has been limited to a small number of MAS contracts, thus minimizing their usefulness for assessing trends in MAS contracts' compliance with GSA policy and guidance. In the PMR reports we reviewed, GSA's PMR team selected samples of between 12 and 16 contracts for review at each MAS acquisition center, a small amount relative to the universe of approximately 17,000 MAS program contracts, and at the time of our fieldwork, the selection methodology did not focus on risk or yield a statistical sample of contracts for review. GSA officials that manage the PMR process said that the number of contracts in each sample they review makes it difficult to derive trends from the PMR review findings, although a subsequent update to GSA's PMR methodology to focus on attempting to select a statistical sample of contracts for review could address this issue.

Advisory Panel Recommendations on Pricing Provisions Raise Concerns

Recently, GSA has attempted to examine the relevance of GSA's pricing controls established to obtain the best available pricing for MAS contracts in the current marketplace. In 2008, GSA established an advisory panel to examine the MAS program's most favored customer and price reduction regulatory provisions in the context of current commercial pricing

practices. The panel, comprised of both government and industry representatives, met 16 times, receiving testimony from 30 program stakeholders. The panel issued its report in February 2010, which contained 20 recommendations regarding the MAS program, several of which address GSA's MAS pricing provisions. Specifically, the panel recommended that GSA eliminate the price reduction clause for MAS services and product contracts on the basis that new statutory competition requirements (known as "fair opportunity" requirements)⁴⁹ and additional data collection on MAS orders should ensure that the government receives competitive prices.⁵⁰ Regarding the price objective for MAS contracts, the panel recommended that GSA issue clear guidance to implement the price objective for MAS contracts to obtain fair and reasonable prices at the time of contract award. MAS Advisory Panel members and program stakeholders we spoke with stated that this could mean that the "most favored customer" price would no longer be the objective for the MAS program. Senior Procurement Executives from GSA and VA, with whom we spoke, both members of the panel, had differing opinions on the panel's draft recommendations. The GSA Senior Procurement Executive noted that the pricing provisions had not served their intended purpose, and that competition for orders would make the provisions irrelevant. The VA Senior Procurement Executive, however, was in favor of retaining the price reduction clause for products, and said that the most favored customer price objective provides some assurance of market pricing for goods and services. He also said that the elimination of the price

⁴⁹The panel recommended that GSA eliminate the price reduction clause for services immediately and eliminate the clause in phases for goods on the assumption that GSA will develop a solution to collect additional data and information on pricing at the order level for use by GSA and other federal agencies, another panel draft recommendation. The information would then be used to conduct market research, determine fair and reasonable pricing at the contract level and competition at the order level. The panel envisioned that the phasing in of this recommendation would occur as contract options are exercised or recompleted.

⁵⁰Section 863 of the Fiscal Year 2009 National Defense Authorization Act (Pub. L. No. 110-417) extended "fair opportunity" competition requirements from the Department of Defense to all executive agencies. Under these requirements, which previously applied to the Department of Defense (DFARS 208.405-70), agencies are required to make purchases of goods and services on a competitive basis by providing all contractors under a multiple award contract notice of the intent to make the purchase and to afford all contractors an opportunity to make an offer. Notice can be provided to fewer than all contractors offering the goods or services if notice is provided to as many contractors as practicable. However, a purchase cannot be made under a notice provided to fewer than all contractors unless offers were received from at least three qualified contractors or a determination is made that no additional qualified contractors were able to be identified despite reasonable efforts to do so.

reduction clause would have a negative impact on cost recoveries from VA's pre- and post-award audits for its schedule contracts.

GSA will need to consider several issues as it evaluates the panel's recommendations. First, while the panel made efforts to collect data to assist it in its deliberations, there is minimal quantitative data in the panel's report to support its conclusions. For example, although the panel reported that those who testified before it said that the price reduction clause is rarely triggered, GSA (as noted earlier) does not track data on the number of contract modifications due to price reductions.

Second, while the panel reported that competition for MAS orders is the best way to ensure that the government receives competitive prices, there may be risks in relying solely on competition as a substitute for these pricing provisions. For example, DOD, the largest MAS customer, has been subject to fair opportunity competition requirements since 2002, but DOD's analysis of competition data for fiscal year 2008 shows that fair opportunity was not given on more than one-third of DOD's MAS orders, which totaled approximately \$3.6 billion.⁵¹ Our prior work and numerous DOD Inspector General reviews have also identified problems with the implementation of this requirement, such as issues with excessive waivers of the requirement and repeated instances of orders that did not provide for sufficient competition.⁵²

Third, changes to the MAS program pricing objective could also have an adverse impact on the program's pricing tools. For example, elimination of most favored customer as the pricing objective could impair the ability of the GSA Inspector General to identify potential cost avoidance in its pre-award audits of MAS contracts. GSA Inspector General representatives told us that the most favored customer pricing objective is critical to their evaluation of vendors' price proposals. Moreover, they said that if GSA adopts the panel's proposals, their ability to continue identifying potential cost avoidance for MAS contracts would depend on whether GSA establishes another negotiation objective as a replacement

⁵¹DOD, *Department of Defense's Competition Report for FY 2008* (Washington, D.C.: Mar. 4, 2009).

⁵²GAO, *Contract Management: Guidance Needed to Promote Competition for Defense Task Orders*, [GAO-04-874](#) (Washington, D.C.: July 30, 2004). Department of Defense Office of Inspector General, *Summary of DOD Office of Inspector General Audits of Acquisition and Contract Administration* (Arlington, Va.: Apr. 22, 2009).

for “most favored customer.” Our prior work has also highlighted the importance of having a price objective that leverages the government’s buying power, as agencies may not pursue additional discounts when placing MAS contract orders. In our recent review of 336 blanket purchase agreements based on MAS contracts,⁵³ agencies did not seek price discounts when they established blanket purchase agreements in almost half of the instances reviewed,⁵⁴ despite the fact that they are required to do so.⁵⁵

Effective MAS Program Management Is Hindered by a Lack of Data, a Decentralized Management Structure, and Shortcomings in Assessment Tools

GSA lacks data about the use of the MAS program by customer agencies that it could use to determine how well the MAS program meets its customers’ needs and to help its customers obtain the best value in using MAS contracts. In addition, the decentralized management structure for the MAS program hinders consistent implementation of the MAS program within GSA, as well as program wide oversight. The MAS Program Office, established in 2008 to manage strategic and policy issues, lacks direct oversight authority for the MAS program, as GSA has dispersed responsibility for the management of individual contract schedules among nine different acquisition centers under three business portfolios. According to some MAS program officials, this has impaired the consistent implementation of policies across the MAS program and the sharing of best practices, and the GSA Inspector General has identified issues with oversight of the MAS program. Finally, there are shortcomings in assessment tools that also result in management challenges. For example, MAS performance measures are inconsistent across the GSA organizations that manage MAS contracts, including inconsistent emphasis on pricing, which limits GSA’s ability to have a program wide perspective on its operations.

⁵³Agencies may establish blanket purchase agreements under the MAS program. Blanket purchase agreements are intended to be a simplified method of fulfilling repetitive needs for supplies and services that also provide an opportunity to seek reduced pricing from vendors’ MAS contracts

⁵⁴GAO, *Contract Management: Agencies Are Not Maximizing Opportunities for Competition or Savings Under Blanket Purchase Agreements Despite Significant Increase in Usage*, [GAO-09-792](#) (Washington, D.C.: Sept. 9, 2009).

⁵⁵FAR Subpart 8.4 requires ordering activities to seek price discounts from MAS vendors when establishing blanket purchase agreements.

GSA Lacks Important Data to Strategically Manage MAS Contracts and Pricing

GSA lacks important data that would facilitate more strategic management of the MAS program. GSA officials told us that because agency customers generally bypass GSA and place their orders directly with MAS vendors, they lack data on the orders placed under MAS contracts; as a result, GSA also lacks data on the actual prices paid relative to the MAS contract prices. GSA does offer two electronic procurement tools, GSA Advantage and e-Buy, which permit agencies to place MAS contract orders with vendors and post requests for quotes with vendors. GSA Advantage also has a spend analysis reporting tool that provides agencies with sales and statistical data on their orders through the system. However, these tools account for a very small percentage of overall MAS program sales and have other limitations in their use, thus restricting the amount of data available. In fiscal year 2008, customer sales through GSA Advantage totaled approximately \$559 million, representing only 1.5 percent of total program sales, and GSA officials we spoke with said that its use is limited to procuring goods as opposed to services. GSA officials also said that while customers can use e-Buy to post requests for quotes of any size and fulfill fair opportunity competition requirements, they do not generally use e-Buy to place orders due to its inability to process orders greater than the micro-purchase threshold of \$3,000.

There are several drawbacks to the lack of available transactional data on the goods and services ordered under the MAS program and the prices paid. First, it hinders GSA's ability to evaluate program performance and manage the program strategically. Our prior work has highlighted the importance of having comprehensive spend data as part of a successful approach to procurement, noting that the use of procurement data to determine how much is being spent for goods and services and to identify buyers and suppliers can identify opportunities to leverage buying, save money, and improve performance.⁵⁶ Several GSA officials acknowledged that it is difficult for GSA to know whether the MAS program meets their customers' needs without data on who uses MAS contracts and what they are buying. Furthermore, the GSA Inspector General has recommended that GSA take steps to collect this data to use in evaluating customer buying patterns and competition at the order level in order to adopt a

⁵⁶GAO, *Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement*, [GAO-04-870](#) (Washington, D.C.: Sept. 16, 2004).

more strategic management approach.⁵⁷ We have made similar observations in prior reports going back several decades.⁵⁸

Secondly, the lack of data could limit the ability of GSA and its customers to achieve the best value in terms of MAS prices. Some GSA officials informed us that they could possibly use transactional data to negotiate better prices on MAS contracts. For example, one MAS acquisition center official said that if they saw large percentage discounts off the contract price on orders, they would question the price during the next contract option period. Program stakeholders also expressed concerns regarding the lack of MAS program data. Several of the agency contracting officers we spoke with cited benefits of having additional transactional data on MAS orders. For example, one contracting officer said additional data could improve their negotiating position when buying goods and services, while two others said it would increase visibility over their purchases. Similarly, the MAS Advisory Panel has recommended that GSA make order-level pricing information available to MAS contract negotiators and agency contracting officers to conduct market research and assist in price reasonableness determinations. In addition, a number of the senior acquisition officials at agencies in our review said that they considered the prices on MAS contracts to be too high, and without additional data from GSA, it was difficult to see the value in the MAS program and the prices that GSA negotiates. As noted earlier in this report, agencies we met with cited similar concerns over GSA's prices as a reason they created new MAC and enterprisewide contracts. A number of these officials also said that GSA should play a role in providing this data to its customers to assist in their strategic procurement efforts.

MAS vendors, GSA officials and agency contracting officers we met with had mixed opinions on the best way to collect this data, which might include collecting data from MAS vendors, customer agencies, or through greater use of electronic ordering portals like GSA Advantage. GSA officials also told us that they have initiated a process improvement initiative to collect more transactional data in the future, as they make

⁵⁷General Services Administration Office of Inspector General, *Review of Multiple Award Schedule Program Contract Workload Management* (Kansas City, Mo.: July 31, 2007).

⁵⁸GAO, *Management of Federal Supply Service Procurement Programs Can Be Improved*, [GAO/PSAD-75-32](#) (Washington, D.C.: Dec. 31, 1974); and *Ineffective Management of GSA's Multiple Award Schedule Program—A Costly, Serious, and Longstanding Problem*, [GAO/PSAD-79-71](#) (Washington, D.C.: May 2, 1979).

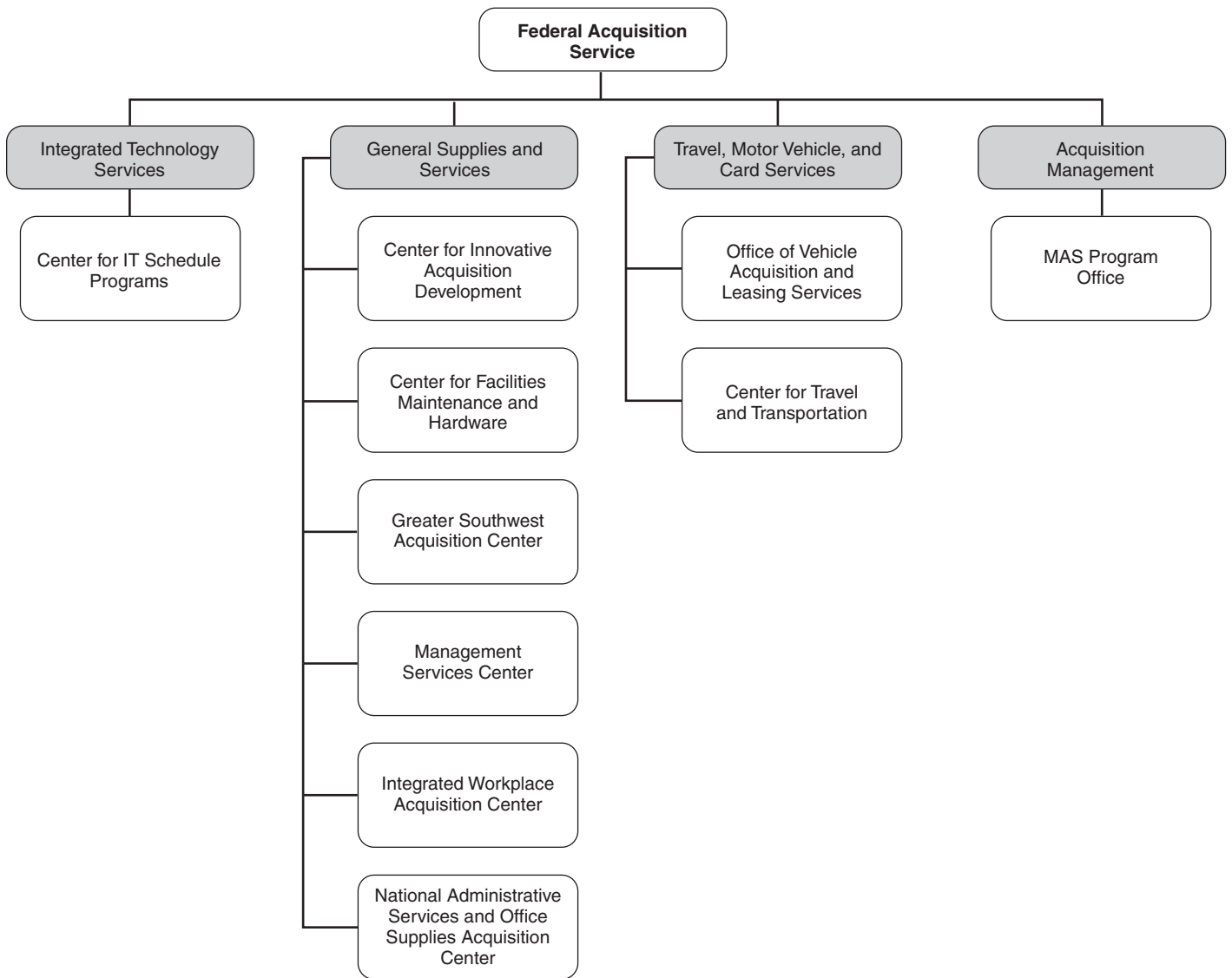
improvements to information systems that support the MAS program. However, this initiative is currently in its early stages.

**Decentralized Management
Structure Limits
Consistent Program
Implementation and
Oversight**

Responsibility for management of the MAS program is dispersed among several different organizations in FAS, which has resulted in program management challenges due to inconsistent implementation of policies and guidance and program oversight weaknesses. Following the reorganization of GSA that created FAS, the agency established the MAS Program Office in July 2008 to provide a structure for consistent implementation of the MAS program. The program office's charter provides it broad responsibility for MAS program policies and strategy, and established a Governance Council comprised of representatives from across FAS as well as VA to help foster collaboration in the MAS program. To date, the office has undertaken several initiatives to fulfill its charter. The Governance Council recently developed a set of strategic priorities for the MAS program for the upcoming years, including the development of additional training on the MAS program for both GSA and agency contracting personnel, expanded customer outreach, and the improvement of information systems that support the program. As part of its responsibility to support process improvement efforts, the program office has also undertaken initiatives to digitize MAS contract files and implemented a pilot program to process MAS contract modifications electronically.

While the MAS Program Office is responsible for ensuring consistency in the MAS program, responsibility for managing the operation of individual schedules resides with nine different acquisition centers under three business portfolios. None of these business portfolios—which manage other acquisition programs in addition to the MAS program—or the MAS acquisition centers that award and manage MAS contracts are under the direct management of the MAS Program Office. In addition, the program office's charter does not specifically provide it with direct oversight of the business portfolios' and acquisition centers' implementation of the MAS program. Figure 3 below depicts the organizational structure of the MAS program.

Figure 3: MAS Program Organizational Chart



Source: GSA.

MAS Program Office officials stated that despite not having direct authority over the organizations that manage the MAS program, they are able to work through issues that arise with the business portfolios. However, GSA officials in MAS acquisition centers as well as some MAS vendors we spoke with had varying opinions about the program’s current management structure. Some MAS program officials, vendors, and

program stakeholders gave positive feedback on the Program Office's efforts to date. For example, one vendor stated that the electronic modification effort had made processing contract updates easier and more transparent. Furthermore, some GSA officials and industry representatives we spoke with said that the program office's governance council provided the acquisition centers with input on policy and strategy issues, and that the program office was making progress with the strategic management of the MAS program. However, other MAS program officials stated that the program is still not managed in a coordinated way and that there is a lack of communication and consistency among MAS acquisition centers which impairs the consistent implementation of policies across the program and the sharing of information between business portfolios. For example, one MAS acquisition center official we spoke with said that the lack of communication among portfolios has hindered their ability to respond to vendor questions relating to schedules under other portfolios. The GSA Inspector General has expressed similar concerns, noting in a recent report that inconsistent pricing policy among MAS acquisition centers had contributed to instances in which the government did not have assurance of the reasonableness of MAS contract pricing, and that there were opportunities for a more consistent approach in pursuing volume discounts for MAS contracts.⁵⁹ The report also found that a lack of clearly defined responsibilities within the new FAS organization has harmed national oversight of the MAS program and may have affected the sharing of best practices between acquisition centers. While at the time of our work the MAS Program Office was a relatively new organization within FAS, the issues identified with consistency of program implementation and the use of pricing tools identified earlier in this report highlight the challenges the office will face in providing coherent program oversight in the future.

⁵⁹General Services Administration Office of Inspector General, *Review of Consistency in Implementing Policy Across Acquisition Centers* (Arlington, Va.: Sept. 2009).

Limitations in Assessment Tools That Focus on Internal Operations and MAS Customers Also Hinder Effective Program Management

In addition to a lack of data and a decentralized management structure, shortcomings in assessment tools also create MAS program management challenges. Our prior work on performance measurement in the federal government noted that when complex program goals are broken down into a set of performance measures, it is important to ensure that the measures sufficiently cover the key aspects of an agency's performance, and that the overall measurement of performance does not become biased by measures that assess some priorities while neglecting others.⁶⁰ GSA has developed performance measures for the organizations that manage the MAS program to establish accountability for program performance and drive continual improvement. They include measures for sales volume, program costs, and time to complete contracting actions such as processing contract offers and modifications. While these may be valid measures of program performance, the measures are inconsistent among the organizations and do not place as much emphasis on pricing, a key aspect of the program, making it difficult to have a program wide perspective of MAS program performance. For example, the fiscal year 2009 performance scorecard for the Information Technology Schedule has a performance measure to track state and local government sales, while the General Supplies and Services business portfolio, which also manages a schedule that state and local governments can use, does not. Furthermore, the Travel, Motor Vehicle, and Card Services business portfolio has a draft performance measure for fiscal year 2010 related to the quality of documentation in contract files, but the Information Technology Schedule and the General Supplies and Services business portfolio do not.

There are also inconsistencies in the extent to which the organizations measure performance as it relates to MAS contract pricing. The Information Technology Schedule has tracked price competitiveness for its products by comparing prices for MAS vendors on GSA Advantage to prices for the same products in the private sector, with a goal for GSA's prices to be at least 10 percent less. Similarly, the Travel, Motor Vehicle, and Card Services business portfolio has established a performance measure that will track how its prices compare against a baseline of prices paid for similar products in the private sector. However, the General Supplies and Services business portfolio does not track any measures related to pricing. A GSA official in the FAS Office of Strategic Business

⁶⁰GAO, *The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans*, [GAO/GGD-10.1.20](#) (Washington, D.C.: April 1998).

Planning and Process Improvement, which oversees performance management, noted that they are in the early stages of internal discussions regarding the development of performance measures related to quality, which would address pricing, as well as developing a separate scorecard for the MAS program.

GSA also uses an annual MAS customer satisfaction survey to assess MAS customers' perspectives on MAS prices, information available on the MAS program, and training efforts, among other things. The results of such surveys can be used to monitor trends in customer satisfaction over time and identify areas for improvement. OMB guidance for federal agencies on statistical surveys advises that agencies should aim to achieve the highest practical response rate, and conduct a nonresponse analysis when response rates do not reach 80 percent, as lower response rates increase the risk of bias in the survey results.⁶¹ However, the MAS customer satisfaction survey reports we reviewed for fiscal years 2007 through 2009 had a response rate of 1 percent or less, and did not include a nonresponse analysis, raising concerns over the use of the surveys' results to measure MAS program performance. A GSA official who oversees the survey acknowledged that the low response rate is an indicator that GSA should improve its survey methodology.

Conclusions

Billions of taxpayer dollars flow through MACs, GWACs, the MAS program, and enterprisewide contracts; however, the federal government does not have a clear comprehensive view of who is using these contracts and if they are being used in an efficient and effective manner—one that minimizes duplication and advantages the government's buying power by taking a more strategic approach to buying goods and services. Longstanding problems with the quality of FPDS-NG data on these contracts and the lack of consistent governmentwide policy on the creation, use, and costs of awarding and administering of some of these contracts are hampering the government's ability to realize the strategic value of using these contracts. Furthermore, departments and agencies may be contracting for the same goods and services across a myriad of contracts—MACs, GWACs, the MAS program, and enterprisewide contracts. A more comprehensive business case analysis for MACs and

⁶¹Office of Management and Budget, *Standards and Guidelines for Statistical Surveys* (Washington, D.C., 2006).

enterprisewide contracts could help ensure that these contracts are being established and used in an efficient and effective manner.

Agencies are sometimes reluctant to turn to the GSA MAS program because they are not confident that GSA prices are as low as they could be and, as a result, create their own contracts. While GSA has established pricing provisions and tools to use to ensure that it obtains the best prices that vendors offer to their commercial customers and takes advantage of price decreases after it awards its MAS contracts, some of these tools are not applied effectively. Consequently, it is difficult for both GSA and federal agencies to know whether MAS prices truly achieve the program's goal of providing best prices. Furthermore, the proposal to eliminate the most favored customer price objective and price reduction clause could further weaken GSA's ability to negotiate best prices. In addition, GSA's decentralized program management structure and shortcomings in program assessment tools and data create oversight challenges that prevent GSA from obtaining reliable feedback from its customers and managing the MAS program more strategically. Furthermore, given that the MAS program is the government's leading interagency contracting program, it is important that OFPP stay informed of GSA's plans to address these issues, in order to identify potential lessons learned that could be relevant for other interagency contracting programs.

Until these issues with interagency and enterprisewide contracts and the MAS program are addressed, we believe the government will continue to miss opportunities to minimize duplication and take advantage of the government's buying power through more efficient and more strategic contracting.

Recommendations for Executive Action

To provide better transparency and a coordinated approach in awarding MACs and enterprisewide contracts, we recommend that the Director of the Office of Management and Budget direct the Administrator of the Office of Federal Procurement Policy to take the following five actions in conjunction with the agencies' senior procurement executives:

- Survey departments and agencies to update the 2006 Office of Federal Procurement Policy Interagency Contracting Data Collection Initiative to identify the universe of MACs and enterprisewide contracts in use throughout federal departments and agencies and assess their utility for maximizing procurement resources across agencies;
- Ensure that departments and agencies use the survey data to accurately record these contracts in FPDS-NG;

-
- Establish a policy and procedural framework in conjunction with agencies for establishing, approving, and reporting on new MACs and enterprisewide contracts on an ongoing basis; the framework should stress the need for a consistent approach to leveraging the government's buying power across departments and agencies while continuing to use their statutory authorities for buying goods and services;
 - Assess the feasibility of establishing and maintaining a centralized database, which could provide sufficient information on GWACs, MACs, and enterprisewide contracts, for contracting officers to conduct market research and make informed decisions on the availability of existing contracts to meet the agencies' requirements; and
 - As part of developing the pending FAR rule to implement the 2009 National Defense Authorization Act, ensure that departments and agencies complete a comprehensive business case analysis as described by the SARA panel, and include a requirement to address potential duplication with existing contracts, before new MACs and enterprisewide contracts are established.

To strengthen GSA MAS program pricing and management, we recommend that the Administrator of the General Services Administration take the following eight actions:

- In coordination with the GSA Inspector General, target the use of pre-award audits to cover more contracts that meet the audit threshold;
- Fully implement the process that has been initiated to ensure that vendors that meet the pre-negotiation clearance panel threshold receive a panel review;
- When considering the MAS Advisory Panel recommendations to clarify the price objective and eliminate the price reduction clause, ensure that any alternative means to negotiate and determine best prices are validated and in place before eliminating these pricing provisions,
- Collect transactional data on MAS orders and prices paid, possibly through the expanded use of existing electronic tools or through a pilot data collection initiative for selected MAS schedules and make the information available to MAS contract negotiators and customer agencies,
- Establish more consistent performance measures across the MAS program, including measures for pricing;
- Take steps to increase the MAS customer survey response rate by using a methodologically sound means to identify bona fide program users and employing survey techniques that produce meaningful and actionable information that can lead to program improvements;

-
- Clarify and strengthen the MAS program office's charter and authority so that it has clear roles and responsibilities to consistently implement guidance, policies, and best practices across GSA's acquisition centers including policies and practices related to the above recommendations; and
 - Report GSA's plans to address these recommendations to the Administrator of the Office of Federal Procurement Policy.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB, DOD, Department of Health and Human Services, DHS, VA, GSA, and NASA. We received email comments from OMB. We also received email comments from DHS, VA and NASA noting that they had no technical comments. We received written comments from DOD, the Department of Health and Human Services, and GSA, which are included as appendixes III-V.

OMB concurred with our recommendations in its response. NASA's response stated that it found our report to be complete, concise, and accurate and provided a balanced view of issues. In their written responses, GSA and the Department of Health and Human Services concurred with our recommendations and DOD stated that it looks forward to working with the OMB's Administrator for OFPP and with GSA on their efforts to implement the recommendations. In addition, the GSA Inspector General provided technical comments on the topic of pre-award audits that we incorporated into the report as appropriate.

In its comments on a draft of this report, OMB agreed with our assessment that interagency and enterprisewide contracts should provide an advantage to the government by leveraging the government's buying power and maximizing efficiencies in the procurement process. OMB also stated that the growth in the use of interagency contracting vehicles raises concerns about potential duplication and redundancy of effort and capacity. OMB further stated that it is actively engaged in initiatives to improve transparency into these vehicles as well as the governance, reporting and regulations covering the establishment, management, and use of interagency contracts. Finally, OMB stated that it agrees that governmentwide guidance in this area will help the government to effectively leverage, manage, and oversee these contracts.

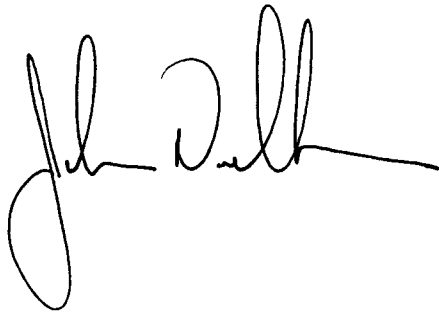
In written comments on a draft of this report, GSA stated that it agreed with our findings and recommendations pertaining to GSA and agreed to make additional efforts to improve MAS program pricing and management. GSA also stated that it plans to brief the Administrator of

the OFPP on its plans to implement the recommendations. In addition, GSA noted the key role that competition plays in helping agencies achieve the best value through the MAS program. Specifically, GSA stated that the pre-award audit cost avoidance amounts identified by the GSA IG do not account for additional price reductions that might be realized from other regulatory procedures in the FAR that call for users of the MAS program to seek competition and additional price reductions on MAS orders. As noted in our report, the pre-award amounts reflect cost avoidance in the negotiated contract-level prices for MAS contracts as opposed to order-level prices, which GSA acknowledges are challenging to collect information on. In addition, GSA stated in its written comments that the requirement for ordering activities to seek price discounts at the order level is an additional key regulatory pricing control for the MAS program. While competition and requirements to seek additional price discounts are key aspects of ensuring that agencies can achieve the best value through the MAS program, we note that our objective was to evaluate the effectiveness of the tools and controls GSA uses to obtain the best possible prices for its customers in negotiating MAS contract prices, as opposed to tools used at the ordering level by agencies. Finally, as noted in our report, our recent review of 336 MAS blanket purchase agreements found that agencies did not seek additional price discounts as required by the FAR in almost half of the instances reviewed. These points highlight the importance of GSA's role in using pricing tools to negotiate the best possible prices up front for its MAS contracts.

OFPP, DOD, Department of Health and Human Services, and GSA also provided technical comments, which were incorporated as appropriate.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution of it until 30 days from the date of this report. We will then send copies of this report to interested congressional committees; the Director of the Office of Management and Budget; the Secretaries of Defense, Health and Human Services, Homeland Security, and Veterans Affairs; and the Administrators of the General Services Administration and the National Aeronautics and Space Administration. The report also is available at no charge on the GAO Web site at <http://www.gao.gov>. If you or your staff have any

questions about this report, please contact me at (202) 512-4841 or needhamjk1@gao.gao. Contact points for our offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed on appendix VI.

A handwritten signature in black ink, appearing to read "John K. Needham". The signature is fluid and cursive, with a large initial "J" and "N".

John K. Needham
Director
Acquisition and Sourcing
Management

Appendix I: Scope and Methodology

Our overall objective was to address management issues associated with the growth in the use of interagency contracting vehicles and enterprisewide contracts, and especially the management of the General Services Administration’s (GSA) multiple award schedule (MAS) program contracts. To conduct this review we selected agencies that established or used the MAS, governmentwide acquisition contract (GWAC), multiagency contract (MAC) or enterprisewide contract programs. The six agencies and three military departments selected in our review were responsible for almost 87 percent of total federal procurement obligations in fiscal year 2008. We met with representatives from the Office of Management and Budget’s Office of Federal Procurement Policy (OFPP), selected agencies’ Senior Procurement Executives or representatives, and selected Heads of Contracting Activities and contracting officers at the departments and agencies included in our review. We also met with vendors and several private sector organizations that represent the vendor community. See table 6 below for a list of agencies, reason for selection, and contracting activities included in our review.

Table 6: Federal Agencies and Military Departments Included in Our Review

Agency/military department	Reason for selection	Contracting activities reviewed
Office of Management and Budget, Office of Federal Procurement Policy	Responsible for governmentwide procurement guidance and policies.	
Department of Defense ^a	Responsible for Department of Defense-wide procurement guidance and policies.	Washington Headquarters Services, Washington D.C.
Department of the Air Force	Responsible for the Enterprise Information Technology Acquisition (EITA) contract. ^b	District of Washington Acquisition Division, Contracting, Washington D.C. Electronic Systems Center Hanscom Air Force Base, Massachusetts
Department of the Army	Responsible for multiagency contracts.	Army Medical Research and Materiel Command, Medical Research Acquisition Activity, Ft. Detrick, Maryland
Department of the Navy	Responsible for an enterprisewide contract-SeaPort Enhanced.	Space and Naval Warfare Systems Command, San Diego; California Space and Naval Warfare Systems Center Atlantic, North Charleston, South Carolina
Department of Health and Human Services, National Institutes of Health	Responsible for three governmentwide acquisition contract programs.	Centers for Medicare and Medicaid Services, Baltimore, Maryland
Department of Homeland Security	Responsible for two enterprisewide contract programs-Enterprise Acquisition Gateway for Leading-Edge Solutions and FirstSource.	Federal Law Enforcement Training Center, Glynco, Georgia; Federal Emergency Management Agency, Washington D.C.

Agency/military department	Reason for selection	Contracting activities reviewed
Department of Veterans Affairs	Delegated responsibility for a portion of the multiple award schedule program.	
General Services Administration	Directs and manages the multiple-award schedule program and a number of governmentwide acquisition contract programs.	Mid-Atlantic Region, Acquisition Operations Division, Philadelphia, Pennsylvania
National Aeronautics and Space Administration	Responsible for the governmentwide acquisition contract, Solutions for Enterprise-Wide Procurement IV.	

Source: GAO analysis.

^aWithin the Department of Defense, we also reviewed the Defense Information Systems Agency responsible for a number of MAC programs.

^bIt was determined that the Air Force contract program was neither a MAC nor an enterprisewide contract program.

In addition, we used a structured interview process to discuss our review objectives with a mix of 16 large and small vendors with high sales on the GSA MAS program and also awarded GWACs, MACs, or enterprisewide contracts. Table 7 identifies the vendors included in our review.

Table 7: Vendors Included in Our Review

Booz Allen Hamilton, Incorporated, McLean, Virginia	Business Technologies and Solutions, Incorporated, Beavercreek, Ohio
Computer Sciences Corporation, Falls Church, Virginia	Dell Federal Systems Corporation, Round Rock, Texas
General Dynamics Information Technology, Fairfax, Virginia	Government Acquisitions, Incorporated, Cincinnati, Ohio
International Business Machines Corporation, Bethesda, Maryland	MELE Associates, Incorporated, Rockville, Maryland
MicroTech, Incorporated, Vienna, Virginia	Orbis, Incorporated, Mount Pleasant, South Carolina
Presidio Networked Solutions, Greenbelt, Maryland	Raytheon Company, Arlington, Virginia
Science and Technology Corporation, Hampton, Virginia	Science Applications International Corporation, McLean, Virginia
SPARTA, Incorporated, Lake Forest, California	SRA International, Incorporated, Fairfax, Virginia

Source: GAO presentation of vendor's data.

To determine the magnitude of interagency contracting and the extent to which policies and guidance exist to establish, oversee, and manage MACs, GWACs, and enterprisewide contracts, we tried to identify the universe of these contract vehicles. We found that an official central list of these vehicles did not exist. We also tried to use the Federal Procurement

Data System-New Generation (FPDS-NG) to identify these vehicles but found this system did not adequately identify these vehicles. To determine if the data on interagency contracts were reliable we tried to verify some of the data generated from FPDS-NG. For instance, FPDS-NG includes a data field that is intended to identify GWACs but we found a number of instances where known GWACs were coded incorrectly. For example, the Environmental Protection Agency has a number of GWACs but when we searched on the contract numbers in FPDS-NG, none of the GWAC contracts were correctly coded as a GWAC. Similarly, some of the National Institutes of Health GWAC contracts were not correctly coded. We also searched the system by contract number for MACs that we were aware of and found similar issues, with some contracts coded properly as MACs and some not.¹ This lack of reliability with FPDS-NG data made it impossible to determine the universe of these types of contracts. Despite its critical role, we have consistently reported on FPDS-NG data quality issues over a number of years.² Accordingly, we conducted literature searches, reviewed 13 agencies' and departments' Web pages and also selected the ten largest government contractors' which received the most GWACs procurement obligations in fiscal year 2008 and reviewed their Web pages to identify examples of MACs, GWACs, and enterprisewide contracts. This produced a list of 14 MAC programs, 9 GWAC programs, and 7 enterprisewide contracting programs, but we acknowledge that it likely understates the total number of these programs. Based on this list,

¹To identify a contract as a multiagency contract we searched for indefinite delivery contracts (IDC) that were also coded as being governed by the Economy Act—which most MACs are—and also if that contract was used by an agency other than the agency that entered into the contract.

²We have previously reported on data reliability issues with FPDS-NG. See, e.g., GAO, *Federal Contracting: Observations on the Government's Contracting Data Systems*, [GAO-09-1032T](#) (Washington, D.C.: Sept. 29, 2009); *Contract Management: Minimal Compliance with New Safeguards for Time-and-Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program*, [GAO-09-579](#) (Washington, D.C.: June 24, 2009); *Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State*, [GAO-08-578](#) (Washington, D.C.: May 8, 2008); *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, [GAO-08-263](#) (Washington, D.C.: April 22, 2008); *Improvements Needed to the Federal Procurement Data System-Next Generation*, [GAO-05-960R](#) (Washington, D.C.: Sept. 27, 2005); *Reliability of Federal Procurement Data*, [GAO-04-295R](#) (Washington, D.C.: Dec. 30, 2003); *OMB and GSA: FPDS Improvements*, [GAO/AIMD-94-178R](#) (Washington, D.C.: Aug. 19, 1994); *The Federal Procurement Data System—Making It Work Better*, [GAO/PSAD-80-33](#) (Washington, D.C.: Apr. 18, 1980); and *The Federal Procurement Data System Could Be an Effective Tool for Congressional Surveillance*, [GAO/PSAD-79-109](#) (Washington, D.C.: Oct. 1, 1979).

we judgmentally selected to review 14 contracting programs in 5 agencies and the 2 military departments to provide a broad perspective on agencies use. Table 8 lists the MAC, GWAC, enterprisewide contract programs, and agencies responsible for the vehicles that we selected to obtain additional information.

Table 8: List of Agencies, Military Departments, and Contracting Programs Reviewed

Agency, military department and contracting program	Type of contracting vehicle
Department of Defense, Defense Information Systems Agency • Encore II	Multiagency contract
Department of the Army • Information Technology Enterprise Solutions-2 Services • Information Technology Enterprise Solutions -2 Hardware • Army Desktop and Mobile Computing-2	Multiagency contract Multiagency contract Multiagency contract
Department of Health and Human Services, National Institutes of Health • Chief Information Officer-Solutions and Partners 2 innovations • Electronic Commodities Store III • Image World 2 New Dimensions	Governmentwide acquisition contract Governmentwide acquisition contract Governmentwide acquisition contract
Department of Homeland Security • Enterprise Acquisition Gateway for Leading-Edge Solutions • FirstSource	Enterprisewide Enterprisewide
Department of the Navy • SeaPort Enhanced	Enterprisewide
General Services Administration • Alliant • Millennia • Veterans Technology Services	Governmentwide acquisition contract Governmentwide acquisition contract Governmentwide acquisition contract
National Aeronautics Space Administration • Solutions for Enterprise-Wide Procurement IV	Governmentwide acquisition contract

Source: GAO analysis.

Note: We did not select or review contract programs at the Air Force or Veterans Affairs because we were not able to determine if either departments had MAC or enterprisewide contract programs.

We met with OFPP officials to assess their role in agencies awarding MACs, GWACs, and enterprisewide contracts. We also met with agency officials responsible for these types of contracts and discussed their reasons and the rationale for not using other existing contracts. We also obtained and reviewed the program's acquisition plans and business cases if they were available. Since GWACs are the only type of interagency contract receiving governmentwide oversight from OFPP, we obtained and reviewed the agencies' annual reports to OFPP discussing how they are achieving their goals as prescribed by the Office of Management and Budget and the direct/indirect costs associated with management of these contracts. We met with selected agencies' Heads of Contracting Activities as well as the agencies' Senior Procurement Executives or their representatives to obtain their assessment on the use and awarding of these vehicles. We also judgmentally selected 17 contracting officers from 4 agencies and 3 military departments (see table 6 above) in our review who had placed orders through one of the reviewed contract vehicles. In our discussions with these contracting officers, we used a structured interview process to discuss how they identify available contracts and, then, determine which contract to use. In discussions with vendors, we used a structured interview process to obtain their views on potential duplications of products and services provided on these contracts and the costs associated with being on different contracts that provide similar products and services. In addition, to assess the oversight of and benefits provided by GWACs, MACs, and the MAS program, we reviewed policies, agency directives, relevant studies, audit reports, the Federal Acquisition Regulation (FAR), and other regulations relevant to our review objectives. We also met with representatives of several private sector organizations—the Coalition for Government Procurement, Jefferson Solutions, LLC, the Professional Services Council, and the Washington Management Group—that represent vendors and contractors to obtain their views on issues related to our review objectives.

To determine the effectiveness of tools, controls, and information GSA uses to obtain the best possible prices for its customers, we reviewed GSA policies and guidance for MAS contract negotiations, including GSA's Acquisition Manual, specific guidance on contract price negotiations, and

guidance for compliance reviews of MAS contracts.³ We discussed implementation of GSA's policies and guidance as they pertain to MAS contract pricing with representatives of GSA's headquarters components and the Federal Acquisition Service (FAS) at:

- GSA Office of Acquisition Management, Arlington, Va.;
- MAS Program Office, Arlington, Va.;
- Office of the Chief Acquisition Officer, Washington, D.C.; and
- GSA's Office of Inspector General, Arlington, Va.

We also obtained, analyzed, and discussed acquisition center policies and procedures for negotiating MAS contracts with MAS Acquisition Center officials located at GSA's:

- Center for Innovative Acquisition Development, Arlington, Va.;
- Center for Information Technology Schedule Programs, Arlington, Va.;
- Integrated Workplace Acquisition Center, Arlington, Va.;
- Office of Travel, Motor Vehicle, and Card Services, Arlington, Va.;
- Management Services Center, Auburn, Wa.; and
- Greater Southwest Acquisition Center, Fort Worth, Tx.

Further, we obtained and reviewed information on compliance with GSA pricing policies and guidance, including prenegotiation clearance panel reports, GSA Inspector General reports, and GSA Procurement Management Review Reports, as well as information on GSA Inspector General pre-award audits and cost avoidance estimates. Further, we reviewed information on recommended changes to the MAS program by the MAS Advisory Panel, and discussed the recommendations with seven of the MAS Advisory Panel members. We also discussed the recommendations with the selected vendors and agency contracting officers noted above, as well as with MAS Acquisition Center officials. We also obtained and analyzed data from the Department of Defense on the implementation of fair opportunity competition requirements. To help ensure the reliability of this data, we interviewed relevant DOD personnel and performed electronic testing for missing data and obvious errors. We determined the data were sufficiently reliable for the purposes of our review.

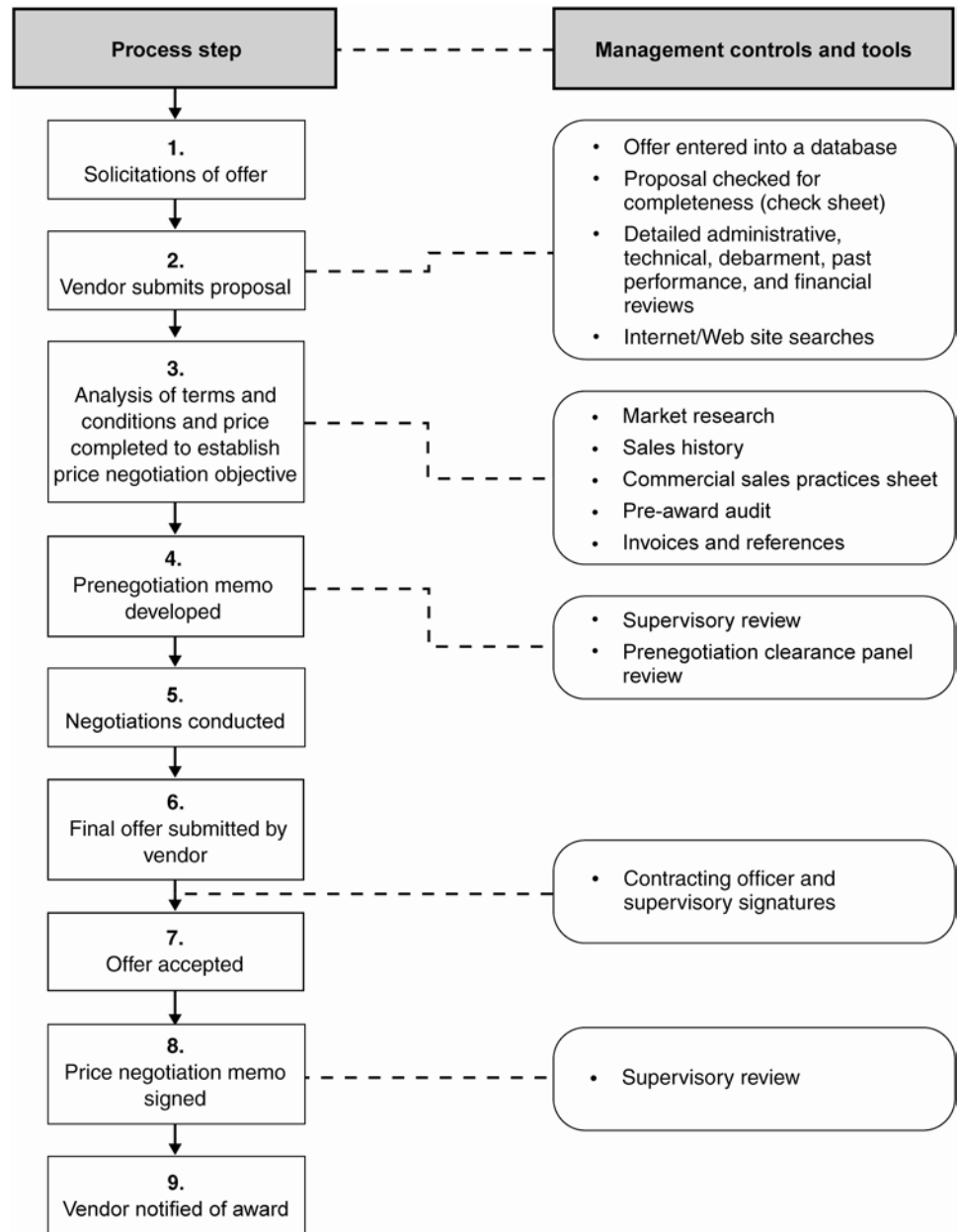
³Because GSA rather than the Department of Veterans Affairs is the agency setting policy for and overseeing the MAS program, we focused on GSA's management of the program. VA operates its portion of the schedules program under a delegation authority from GSA for the purchase of medical supplies.

To determine the extent to which GSA has an oversight structure in place to manage the MAS program we reviewed and analyzed documentation on the MAS program organizational structure and its Program Office charter and minutes of the MAS program Governance Council. We also obtained and reviewed information on the MAS Program Office's improvement initiatives. We discussed the organizational structure and MAS Program Office initiatives with program office representatives, numerous MAS acquisition center officials, and the selected vendors. We also reviewed GSA Inspector General reports related to the FAS reorganization. Further, we obtained and reviewed information on GSA's electronic tools for placing and processing MAS orders and discussed the use of these tools with representatives of the FAS Office of the Chief Information Officer as well as the selected vendors and agency contracting officers noted above. We also reviewed and compared information on performance measures for the MAS program across FAS business portfolios. We obtained and reviewed MAS customer satisfaction survey reports for fiscal years 2007 through 2009. We used OMB guidance on standards for statistical surveys in executive branch agencies to evaluate the usefulness of the reports.

Finally, we reviewed and analyzed selected GAO and Inspector General reports issued since 1999 that addressed issues associated with interagency and enterprisewide contracts. In particular, we reviewed information in these reports that addressed agencies' compliance with competition requirements for these types of contracts.

We conducted this performance audit from October 2008 through April 2010 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: General Services Administration Multiple Award Schedule Pricing Process and Tools



Source: GAO analysis of General Services Administration data.

Appendix III: Comments from the Department of Defense



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

Mr. John K. Needham
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, N.W.
Washington, DC 20548

APR 28 2010

Dear Mr. Needham:

This is the Department of Defense (DoD) response to the GAO draft report, GAO-10-367, "CONTRACTING STRATEGIES: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts," dated March 16, 2010.

Thank you for providing us the opportunity to review and respond to the draft report. Although, there are no recommendations for the Department of Defense in the report, as the largest purchasing organization in the Federal Government and the largest customer of the General Services Administration (GSA), we look forward to working with the Office of Management and Budget's Administrator of the Office of Federal Procurement Policy and GSA on their efforts with regard to the audit recommendations.

Technical comments will be provided separately for your consideration. Should you have any questions, please contact Mr. Michael Canales, Michael.Canales@osd.mil, 703-695-8571.

Sincerely,

A handwritten signature in black ink, appearing to read "Shay D. Assad". The signature is stylized and somewhat cursive.

Shay D. Assad
Director, Defense Procurement
and Acquisition Policy

Appendix IV: Comments from the Department of Health and Human Services



DEPARTMENT OF HEALTH & HUMAN SERVICES

OFFICE OF THE SECRETARY

Assistant Secretary for Legislation
Washington, DC 20201

APR 16 2010

John K. Needham, Director
Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street N.W.
Washington, DC 20548

Dear Mr. Needham:

Enclosed are comments on the U.S. Government Accountability Office's (GAO) report entitled: "Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts" (GAO-10-367).

The Department appreciates the opportunity to review this report before its publication.

Sincerely,


Andrea Palm
Acting Assistant Secretary for Legislation

Enclosure

GENERAL COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT ENTITLED: "CONTRACTING STRATEGIES: DATA AND OVERSIGHT PROBLEMS HAMPER OPPORTUNITIES TO LEVERAGE VALUE OF INTERAGENCY AND ENTERPRISEWIDE CONTRACTS" (GAO-10-367)

The Department appreciates the review conducted by GAO and the opportunity to provide comments on this draft report. HHS concurs with the GAO report findings and recommendations, and respectfully submits the following general comments and clarifications.

1. NIH has structured its GWACs in accordance with OMB's principles for government-wide acquisitions of information technology. This ensures structuring of orders that promote the use of performance-based acquisition, maximum utilization of small and small disadvantaged business, fair opportunity and transparency, and provides the management controls necessary for responsible contract and financial management.

2. **Pages 19 – 20: Section "The Identification and Use of MACs and Enterprisewide Contracts Is Unknown"**

In coordination with educational outreach efforts, NIH has increased participation in various forums and events to increase awareness in the federal acquisition community of its interagency contracts.

3. **Pages 26 – 28: Section "Vendors and Agency Officials Expressed Concerns About Contract Duplication and Associated Management Efforts and Costs"**

The NIH contracts have a distinctive health related component differentiating them from other interagency contract vehicles. NIH established the NIH Information Technology Acquisition and Assessment Center (NITAAC) for the sole purpose of providing quality health-related IT products and services through use of innovative government-wide acquisition contracts. The goal was and continues to be one of providing support to the NIH research community and other federal agencies with their health IT requirements. In the CIO-SP2i contract, a number of the task areas support interoperable health IT which is one of the primary goals of the Federal Health Architecture (FHA).

4. **Pages 46 – 47: Section "Conclusions"**

NIH strives for transparency in operation of its GWACs. Available on the NITAAC website are reports that show all awards since inception for each contract. The RFQ ordering tool for ECS III commodities contract is highly encouraged for use by client agencies, while the ordering system known as eGOS is mandatory for IT services requirements under CIO-SP2i. Both of these systems enhance the fair opportunity, competitive environment.

Appendix V: Comments from the General Services Administration



GSA Administrator

April 15, 2010

The Honorable Gene L. Dodaro
Acting Comptroller General of the United States
Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

Thank you for the opportunity to comment on the U.S. Government Accountability Office (GAO) draft report, "CONTRACTING STRATEGIES: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts" (GAO-10-367).

The U.S. General Services Administration (GSA) agrees with the GAO findings and recommendations pertaining to GSA and agrees to make additional efforts to improve the Multiple Award Schedule program pricing and management. Additional clarification has been provided in the enclosure.

Should you have any additional questions, please do not hesitate to contact me. Staff inquiries may be directed to Mr. Houston Taylor, Acting Assistant Commissioner, Office of Acquisition Management. He can be reached at (703) 605-2759.

Sincerely,

A handwritten signature in black ink that reads "Martha Johnson".

Martha Johnson
Administrator

Enclosure

cc:
Mr. John Needham
Director
Acquisition and Sourcing Management
General Accountability Office

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
Telephone: (202) 501-0800
Fax: (202) 219-1243
www.gsa.gov

**GSA Comments on GAO Draft Report:
Contracting Strategies Data and Oversight Problems Hamper Opportunities to
Leverage Value of Interagency and Enterprisewide Contracts” (GAO-10-367)**

1. In the recommendations section of the report on page 48, GAO states, “In coordination with the GSA Inspector General, target the use of pre-award audits to cover more contracts that meet the audit threshold.”

GSA Comment:

GSA concurs. Contract audits are one of many valuable tools for the MAS Procuring Contracting Officers (PCO) to enable them to negotiate fair and reasonable pricing at the Schedule contract level.

The Report notes that the GSA OIG identified \$4 billion in potential cost avoidance through pre-award audits from 2004 through 2008. While the pre-award audits supply information to MAS PCOs when they are negotiating improved contract pricing, terms and conditions at the Schedule contract level, the cost avoidance figure does not accurately account for a vital structure of the MAS program. Specifically, FAR Subpart 8.4, details regulatory procedures for ordering activities to seek competition and additional price reductions on task and delivery orders issued under the MAS program. These ordering procedures will result in improved prices, terms and conditions for the government based on the specific requirements of ordering activity. Although the OIG figure is based upon Schedule contract level prices, it does not account for actual prices, terms and conditions received at the order level, which the Report cites challenges surrounding capturing this level of data.

The Federal Acquisition Service (FAS) Office of Acquisition Management and the OIG Office of Audits hold a monthly senior level working group to discuss mutual areas of concern and opportunities. In this venue, the annual audit plan can be discussed. This would include, among other topics, the process for selecting the contracts for pre-award audits and a review of the advice and assistance required by the PCOs.

2. In the recommendations section of the report on page 48, GAO states, “Fully implement the process that has been initiated to ensure that vendors that meet the pre-negotiation clearance panel threshold receive a panel review.”

GSA Comment:

GSA concurs. GSA is already in the process of implementing this recommendation. In response to the GSA OIG Management Audit, *Review of Consistency in Implementing Policy Across Acquisition Centers* (Report Number A070118), FAS is drafting an Instructional Letter to clarify the implementation of the pre-negotiation clearance panel process for the MAS program within the context of the FAS organization. In addition, FAS is developing system

requirements to capture data and information on panels to improve and increase oversight over the pre-negotiation clearance panel process.

3. In the recommendations section of the report on page 48, GAO states, "When considering the MAS Advisory Panel recommendations to clarify the price objective and eliminate the price reduction clause, ensure that any alternative means to negotiate and determine best prices are validated and in place before eliminating these pricing provisions."

GSA Comment:

GSA concurs. The Report clearly describes the MAS program negotiation objective on page 31:

"The negotiation objective described above, which calls for comparing prices and discounts that a vendor offers the government with the prices and discounts that a vendor offers its similarly situated commercial customers, is done as part of GSA's goal to receive 'most favored customer' pricing for MAS contracts. When trying to achieve this negotiation objective, GSA seeks to obtain the best price a vendor provides its most favored customer while recognizing that there may be legitimate reasons why the best price is not achieved given that terms and conditions of commercial sales vary."

With the award of fair and reasonable prices as well as terms and conditions at the Schedule contract level, the MAS contract serves as the commercial contract vehicle for customer agencies to meet their procurement requirements through streamlined acquisition procedures.

The Report states that the Program contains only two regulatory pricing controls for MAS contracts – the price reduction clause and most favored customer pricing. However a third and key regulatory pricing control for the MAS contracts is the requirement for ordering activity to seek additional discounts at the order level. The Schedule PCO will award the contract at fair and reasonable prices based upon a contractor's business practices, however it is the contracting officer at the ordering level that must assess best value for the government in terms of the specific requirement.

To meet GSA's imperative of acquisition excellence within GSA itself, and across the federal government, GSA will strive to educate the acquisition workforce that best value at the order level should be achieved by employing the full range of competitive tools available through the schedules: price comparisons through the GSA *Advantage* eTool, Request for Quotes (RFQ) competed on eBuy, issuing Blanket Purchase Agreements (BPA) for recurring requirements, and seeking price reductions at the task order and (BPA) level.

Furthermore GSA agrees that identification and collection of further data is needed to thoughtfully consider and potentially move forward with changes to the MAS pricing objective and price reduction clause.

4. In the recommendations section of the report on page 48, GAO states, "Collect transactional data on MAS orders and prices paid, possibly through the expanded use of existing electronic tools or through a pilot data collection initiative for selected MAS schedules and make the information available to MAS contract negotiators and customer agencies."

GSA Comment:

GSA concurs. At this time, GSA has limited transactional data for MAS orders that are consummated in the etools provided by GSA to customer agencies and the limited vendor reporting to GSA.

As the Report notes, GSA etools are used as a source for market research, as a means for seeking competition through the posting of RFQs, and to a lesser extent, for order placement. As a result, transactional data primarily resides with vendors and customer agencies. In the past, GSA attempted to gather ordering level data from the customer agencies' contract writing systems. However the lack of data standardization and variation in levels to which agency systems capture order level data made aggregating the data very difficult. This prevents GSA from providing actionable business intelligence to help customer agencies better acquire products, services, and solutions.

Furthermore, GSA, who co-chairs the Federal Strategic Sourcing Initiative (FSSI), has several current and new FSSI procurements that have been or are currently being conducted through BPAs against the MAS program. These FSSI BPAs contain vendor reporting requirements to provide GSA with standard transactional spend data on orders issued against the BPAs. This data is used to analyze spending and help customer agencies make business decisions about acquiring commodities and services more effectively and efficiently.

GSA will continue to partner with customer agencies to analyze and understand their transactional spend data needs and develop tools to maximize their effective and efficient use of the MAS program. In addition, GSA will continue to work with the Office of Federal Procurement Policy (OFPP) in implementing FSSI to help customer agencies acquire commodities and services more effectively and efficiently.

5. In the recommendations section of the report on page 48, GAO states, "Establish more consistent performance measures across the MAS program, including measures for pricing."

GSA Comment:

GSA concurs. The FAS Office of Strategy Management and the MAS Program Office within the Office of Acquisition Management have been working through

the MAS Governance Council to create a MAS program-wide balanced scorecard. The scorecard will utilize performance measures as a means of sharing information on overall MAS program performance across business portfolios and acquisition centers and to help drive strategic alignment across the MAS program. Currently, the MAS scorecard tracks all of the individual business portfolio MAS measures and establishes MAS program-wide measures, including placeholder measures, for each business portfolio office to see their contribution to MAS program-wide performance.

In regard to measures for pricing, in response to a management audit by the GSA OIG, *Review of Program Performance Measurement for Procurement* (Report Number A070171), and to address this Report's recommendation, the Office of Strategy Management is already leading efforts to drive toward more consistent acquisition performance measures across FAS. To do this, a FAS cross-organizational team consisting of the Office of Strategy Management, the Office of the Acquisition Management and each of the business portfolio offices is working to define a performance measure that considers pricing to be used across the MAS Program.

6. In the recommendations section of the report on page 48, GAO states, "Take steps to increase the MAS customer survey response rate by using a methodologically sound means to identify bona fide program users and employing survey techniques that produce meaningful and actionable information that can lead to program improvements."

GSA Comment:

GSA concurs. GSA will review the methodologies for the data collection plan for the MAS Customer Survey and adjust as required.

7. In the recommendations section of the report on page 49, GAO states, "Clarify and strengthen the MAS Program Office's Charter and authority so that it has clear roles and responsibilities to consistently implement guidance, policies, and best practices across GSA's acquisition centers including policies and practices related to the above recommendations."

GSA Comment:

GSA concurs. The MAS Program Office promotes innovation and acquisition excellence by setting the strategic direction for the program, developing and implementing program-wide policy, engaging in continuous process improvement and business process reengineering, and developing system requirements for keyed shared applications supporting the MAS program.

As previously noted, the Office of Strategy Management has been assisting the MAS Program Office within the Office of Acquisition Management as they work with the MAS Governance Council on creating a MAS program-wide balanced

scorecard. However, the decentralization of MAS acquisition operations and lack of centralized authority for the MAS Program presents challenges to establishing consistent performance measures as well as consistent program implementation and oversight.

In light of this Report's findings that the decentralized management structure limits consistent program implementation and oversight, as noted by customers, vendors, and MAS program officials, GSA will examine and strengthen the MAS Program Office Charter and authority. This will provide for improved capacity and ability to drive consistency, where appropriate, program implementation and strengthen program oversight in the MAS Program.

8. In the recommendations section of the report on page 49, GAO states, "Report GSA's plans to address these recommendations to the Administrator of the Office of Federal Procurement Policy."

GSA Comment:

GSA concurs. GSA will brief the Administrator of the Office of Federal Procurement Policy on its plan to implement these recommendations.

Appendix VI: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the name above, Jim Fuquay, Assistant Director; Marie Ahearn; Lauren Heft; Kathy Hubbell; Keith Hudson; Julia Kennon; Victoria Klepacz; Susan Neill; Kenneth Patton; and Russ Reiter made key contributions to this report.

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