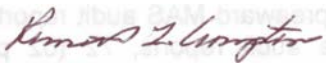




**Office of Audits  
Office of Inspector General  
U.S. General Services Administration**

DATE: May 10, 2012

TO: Theodore R Stehney  
Assistant Inspector General for Auditing (JA)

FROM: Kenneth L. Crompton   
Deputy Assistant Inspector General for  
Acquisition Audits (JA-A)

SUBJECT: Analysis of Audit Information System Data for Preaward  
Multiple Award Schedule Audit Reports – October 1, 2009 to  
December 31, 2011

This is a summary of the value provided to contracting officers (CO) by the General Services Administration (GSA) Office of Inspector General's (OIG) preaward Multiple Award Schedule (MAS) audit reports. The analyses focused on (1) the report and postaward process, (2) recommended, agreed to, and sustained cost avoidances, and (3) the amount of time between audit report issuance and contract option award. We also identified opportunities for data clarifications and enhancements within the Office of Audits.

### **Report Issuance and Postaward Process**

GSA OIG preaward MAS audit reports are issued to the appropriate CO or Federal Acquisition Service (FAS) official to assist in negotiations for the pending contract option award. These reports can and often include recommended cost avoidances, recommended cost recoveries, and/or non-monetary findings. At the time of report issuance, the (1) report date, (2) recommended avoidance/recovery dollars, and/or (3) number of non-monetary findings are documented in the Audit Information System (AIS) by the OIG's Office of Audit Planning, Policy and Operations (JAO) staff.

After report issuance, the cognizant CO has 60 days to complete and return the Decision Record for Contract Review (DR). This form is used to document the CO's agreement or disagreement with the audit findings and his/her decision to use these findings as a tool in developing negotiation objectives. Once the CO completes the DR, it is submitted to JAO via the audit team or the Office of the Chief Financial Officer, Internal Control Division. A JAO staff member then enters the date that the CO signed

the DR and the dollar amount representing the amount of recommended avoidance/recovery that the CO agreed with<sup>1</sup> into the AIS.

After the CO has either awarded the option, canceled the contract, or allowed the contract to expire, the audit office is responsible for submitting the Form 3, Input Sheet for Update/Change Audit Report Information, to JAO. This form outlines FAS' commitment, including but not limited to the contract option award date and the amount of sustained avoidance and/or recovery as a result of negotiations. JAO staff then inputs some of this information into the AIS.

## Findings

The OIG issued 117 preaward MAS audit reports from October 1, 2009, to December 31, 2011. Of these audit reports, 72 (62 percent) included recommended cost avoidances totaling \$814,143,514. In addition, 43 (37 percent) had recommended recoveries of \$13,262,304. Some audits resulted in both recommended avoidances and recoveries.<sup>2</sup>

### **Contracting Officers Agree With and Sustain Over Half of the Recommended Cost Avoidances**

Of the 107 audit reports that had DR information entered into the AIS, the COs agreed with 99.8 percent of the recommended cost avoidances. The COs' agreement represents their intent to use audit findings to develop pre-negotiation objectives.

Of the 63 audit reports with completed Form 3 information<sup>3</sup> within AIS, the COs agreed with 99.7 percent of the recommended avoidances. This is consistent with what we found with those that had completed DR information. Of these agreed-to avoidances, COs sustained 52.5 percent of the dollars. See *Table 1*.

| <b>Table 1: Status of Recommended Cost Avoidances</b> |                |                |
|---|----------------|----------------|
| <b>Category</b>                                       | <b>Dollars</b> | <b>Percent</b> |
| <b>Recommended Cost Avoidances</b>                    | \$497,608,671  | --             |
| <b>CO Agreement to Cost Avoidances</b>                | \$496,329,172  | 99.7%          |
| <b>Sustained Cost Avoidances</b>                      | \$260,671,585  | 52.5%          |

<sup>1</sup> The CO has the option to fully agree, fully disagree, or partially agree with the audit report cost avoidances and/or recoveries. With full agreement, the CO's signature represents agreement with the substance of each report finding, agreement with the calculation of cost avoidances/recoveries and intent to establish pre-negotiation objectives using the report findings. If the CO fully or partially disagrees with the report cost avoidances/recoveries, the form is submitted stating such, with a written explanation of the disagreement. Discussions between the OIG and the CO will then commence. If full agreement is not attained, then the portion of the cost avoidance/recovery that is agreed to is input into AIS.

<sup>2</sup> For the purposes of this memorandum, non-monetary findings were not included as part of the analyses.

<sup>3</sup> There were 54 audit reports that did not have complete Form 3 information in the AIS. The primary reason for this is that the option periods had not yet been negotiated for the subject contracts.

In our opinion, the 52.5 percent overall sustained cost avoidance is understated due to a variety of factors. Generally, recommended cost avoidance dollars are calculated based on the audited upcoming 5-year option period. However, since negotiations may not occur immediately, the sustained cost avoidance may be based on a shorter time period (the time remaining on the 5-year option), thus lowering the sustained dollar amount. Secondly, if the contract option is not awarded, the AIS records \$0 sustained cost avoidance. Finally, the AIS also records \$0 sustained cost avoidance when the CO requires the contractor to submit a new offer. In the last two circumstances, the CO most likely used the audit report findings and the result was a positive one; however, this is not reflected in the AIS.

### **Awarding Option Periods Prior to Completion of Preward MAS Audits Affect Cost Avoidance Sustained**

Of the 117 audits in our universe, we obtained option award information for 84<sup>4</sup> of them. Of these 84 contracts, there were 19 cases in which the options were awarded prior to issuance of the audit report. When the CO proceeded with the option award prior to report issuance, it negatively affected the cost avoidance sustained. *Table 2* below provides additional details.

| <b>Table 2: Option Award Timing as it Impacts Sustained Cost Avoidances</b> |                                   |   |   |                                 |
|---|-----------------------------------|---|---|---------------------------------|
| <b><u>When Option Award Occurred</u></b>                                    | <b><u>Number of contracts</u></b> | <b><u>CO Agreement to Cost Avoidances</u></b> | <b><u>Sustained Cost Avoidances</u></b> | <b><u>Percent Sustained</u></b> |
| <b><i>Prior to audit completion</i></b>                                     | 19                                | \$201,423,617                                 | \$43,451,942                            | 21.6%                           |
| <b><i>After audit completion</i></b>  | 65                                | \$461,454,233                                 | \$212,754,714                           | 46.1%                           |

### **Contracting Officers Award Option Periods On Average Five Months After Audit Report Issuance**

For the same 84 contracts reviewed, we analyzed the amount of time between audit report issuance and option award. On average, COs took five months after receipt of the preaward audit report to award the contract option. The time period varied greatly from a minimum of five days (a report containing only non-monetary findings) to 18 months (a contract in which the CO sustained 44 percent of the agreed-to cost avoidance). We also found two cases in which the CO awarded the option 15 and 16 months after the audit reports were issued, yet sustained \$0 of the recommended and agreed-to \$5.4 million and \$6.0 million cost avoidances, respectively.

### **Other Issues: Internal Process Improvements**

As we performed our analysis, we identified opportunities for internal process improvements.

<sup>4</sup> For these 84, we obtained the award document from the FSS Online system.

### **Increase Monitoring of Missing Form 3s To Improve AIS Completeness**

In Fiscal Year 2010, the GSA OIG issued 50 preaward MAS audit reports. As of May 31, 2011, 25 (50 percent) of them had not had Form 3s submitted to JAO by the audit teams. In efforts to complete our analysis, we followed-up with the Auditors-In-Charge (AICs) for those 25 audit reports. As a result, 17 Form 3s were submitted to JAO and the AIS data was completed.<sup>5</sup> JAO currently monitors the DR due dates and sends out reminder e-mails to the AICs shortly before the DR is due. We believe that AIS data completeness could be improved if the Form 3 was monitored in a similar manner. We realize that there is no set due date for the Form 3, as contract negotiations and option award dates vary greatly. However, quarterly reminders to AICs for all audits missing the Form 3 could improve the timeliness and completeness of data within AIS as it relates to sustained cost avoidances and option award.

### **Capture the Contract Award Date To Improve Data Completeness and Enable Analysis**

As described above, the Form 3 outlines FAS' actions, including but not limited to the contract option award date and the amount of sustained avoidance and/or recovery as a result of negotiations. Although the option award date is captured on the Form 3, it is not currently entered into the AIS. The Preaward MAS Assessment Tool tracks this date; however, this data is subject to error and inconsistencies since it is input by each audit team.<sup>6</sup> In addition, there is currently no ability to query the Preaward MAS Assessment Tool for this information. The OIG could gain value by capturing the contract option award date in the AIS. As used above, the date of option award enabled us to analyze and present the data regarding the time between audit issuance and option award, a topic of interest to both FAS and the OIG.<sup>7</sup> This information is already collected on the Form 3; however, we believe that the Office of Audits would benefit from capturing this date in the AIS.<sup>8</sup>

### **Clarify the Guidance Regarding Contract Award Date to Improve Data Consistency**

The Form 3 has a data field for the "Commitment Date." However, there are inconsistencies in what is being input into this field. There were instances where the effective date of the contract option award was inputted and instances where the date that the CO signed the contract option award document was inputted. As stated above, capturing the date that the CO signs the award document is valuable. Clarifying the

<sup>5</sup> For the remaining eight audits, two are being researched and the remaining contracts are still under negotiation.

<sup>6</sup> The option award date was not always consistent between the Preaward MAS Assessment Tool and the option award documentation located in FSS Online.

<sup>7</sup> The methodology used to determine the time between audit issuance and option award involved searching FSS Online for each individual contract. This was very time consuming and is not an ideal option for tracking this information.

<sup>8</sup> Currently, the date that the Regional Inspector General for Audits (RIGA), Deputy Assistant Inspector General for Audits (DAIGA), or Program Manager signs the Form 3 is input into the AIS. The date is solely used to determine if an audit's Form 3 was submitted; therefore, it seems plausible that the actual option award date could be entered into this data field instead of the RIGA, DAIGA, or Program Manager signature date.

instructions on the Form 3 to specify that the contract award date entered on the form should be the date the CO signs the award document, not the effective date of the contract option award, would improve data consistency and enhance the integrity of any analysis performed using this information.

### **Clarify the Guidance Regarding Questioned Costs to Improve Data Consistency**

The DR instructions state that questioned costs “pertain to postaward findings and represent expended funds that the CO should seek to recover.” However, we found instances of questioned costs being reported on the DR and in the Preaward MAS Assessment Tool for preaward audit reports. These cases are not in adherence to the instructions on the DR, which refer to reporting questioned costs only in cases of postaward audit findings. To ensure data is being collected and reported accurately, either guidance on completing the DR should be clarified or the instructions for the DR should be amended.

### **Provide Guidance Regarding Additional Sustained Costs Avoidances to Improve Data Consistency**

In some instances, the CO is able to attain a greater cost avoidance than was recommended in the audit report, recorded on the DR, and subsequently entered into AIS. Currently, there is not an Office of Audits policy in place for situations such as these. To further ensure that data calculated and recorded on the Form 3 by the auditors and submitted to JAO is consistent across audit offices, policy should be developed to address if these additional savings should be included in the sustained cost avoidance amount.

## **Conclusion**

MAS preaward audit reports provide value to COs in various ways, one of which is in identifying potential cost avoidance for upcoming option periods. For the audit reports reviewed, over \$496 million in cost avoidances were identified. The COs agreed with nearly 100 percent of these costs and sustained 52.5 percent of the identified dollars. Due to timing differences and internal tracking limitations, this number is understated.

After receipt of the audit report, COs, on average, took five months to award the contract option. In addition, if the option was awarded prior to the receipt of the audit report, there was a negative effect on the sustained cost avoidance.

We also identified opportunities for improving data collection, consistency, accuracy and completeness within the Office of Audits to simplify and improve future data analysis.