

**AUDIT  
REPORT**

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**NASA ACQUISITION OF SERVICES USING  
THE FEDERAL SUPPLY SCHEDULES**

March 27, 2002

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National Aeronautics and  
Space Administration

**OFFICE OF INSPECTOR GENERAL**

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## **Acronyms**

CO	Contracting Officer
FAR	Federal Acquisition Regulation
FSS	Federal Supply Schedules
FY	Fiscal Year
GSA	General Services Administration
OFPP	Office of Federal Procurement Policy
PIC	Procurement Information Circular
RFQ	Request for Quotation
SBA	Small Business Administration
SOW	Statement of Work

March 27, 2002

W

TO: A/Administrator

FROM: W/Counsel to the Inspector General

SUBJECT: INFORMATION: NASA Acquisition of Services Using the Federal Supply Schedules  
Report Number IG-02-014

The NASA Office of Inspector General has completed an audit of NASA Acquisition of Services Using the Federal Supply Schedules (FSS). We found that NASA contracting officers (CO's) at three Centers<sup>1</sup> could have more effectively used the FSS to acquire services, and CO's at the five Centers<sup>2</sup> reviewed were not consistent in their use of the FSS to procure similar services. Specifically, for three of the five NASA Centers, CO's did not consider the FSS as a source for 12 (37 percent) of 32 acquisitions of services that were available. The 12 services, costing NASA \$7.8 million, were available on the FSS. Also, CO's did not properly follow General Services Administration (GSA) procedures in obtaining multiple price quotes or providing information in the Request for Quotation (RFQ)<sup>3</sup> or Statement of Work (SOW)<sup>4</sup> when acquiring services through the FSS. Specifically, for 20 FSS services acquired at the five Centers, Ames, Goddard, and Marshall did not follow the GSA Ordering Procedures for Services for 8 (40 percent) acquired services. The eight acquisitions were valued at \$2.9 million.

## Background

In fiscal year (FY) 2000, NASA awarded \$9.1 billion in contracts to business firms for the acquisition of services, supplies, and equipment, and research and development. NASA awarded \$5.1 billion (56 percent) of the \$9.1 billion for services. Federal Acquisition Regulation (FAR) Part 8, Section 8.001, establishes the "Priorities for use of Government supply sources," the second of which is the FSS for obtaining services.

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<sup>1</sup> The three Centers that had not maximized use of the FSS were Johnson Space Center (Johnson), Langley Research Center (Langley), and Marshall Space Flight Center (Marshall).

<sup>2</sup> During the audit, we reviewed acquisitions of services at Ames Research Center (Ames), Goddard Space Flight Center (Goddard), Johnson, Langley, and Marshall.

<sup>3</sup> A request for quotation communicates Government requirements to prospective contractors and solicits proposals or quotations from them.

<sup>4</sup> A statement of work is a specific description to contractors, suppliers, or vendors of the goods, services, research, products, and other items that an agency needs to acquire.

The FSS provide sources for a wide variety of services including, but not limited to, document management, engineering, energy management, environmental advisory, financial management, mail management, marketing and media, personal property management, science, information technology, and travel. The GSA administers the FSS, negotiates pricing, and maintains the FSS, which incorporate sources from both large and small contractors. The GSA Ordering Procedures for Services require ordering agencies to seek competitive quotes for services priced at an hourly rate. Further, the office ordering the service is responsible for determining that the total price is fair and reasonable. Additionally, GSA trains personnel, upon request, to encourage the acquisition of services through the FSS.

### **Recommendations**

We recommended that the Assistant Administrator for Procurement (1) direct NASA CO's to properly follow the FAR requirements for sources when acquiring services or to complete a waiver in accordance with the NASA FAR Supplement when using a non-FSS source for services that are available through the FSS, (2) require NASA Centers to obtain training directly from GSA on the efficient and economical use of the FSS, and (3) issue a Procurement Information Circular (PIC)<sup>5</sup> directing NASA CO's to follow the terms of the GSA ordering procedures when ordering services through the FSS.

### **Management's Response and OIG Evaluation**

The NASA Office of Procurement concurred with the recommendations and stated that corrective action should be completed by June 30, 2002. The Assistant Administrator did not see the need for or relevance of the waiver-related portion of the first recommendation. We agree that waivers relate only to mandatory sources,<sup>6</sup> and waivers are not needed for the acquisition of nonmandatory services from a vendor not on the FSS. We believe, however, that NASA should encourage all CO's to consider the FSS as a source for services to save both time and money.

Details on the status of the recommendations are in the recommendations section of the report.

[original signed by]  
Francis P. LaRocca

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<sup>5</sup> A Procurement Information Circular (PIC) is used for internal dissemination of procurement-related information and directives not suitable for inclusion in the NASA FAR Supplement.

<sup>6</sup> The GSA negotiates contracts for services that are used by multiple Federal agencies and identifies some of these contracts as mandatory sources. The contracts presently identified as mandatory relate to paired city airline service, Federal Express delivery service, and the acquisition of business cards. Those sources not identified as mandatory are considered to be nonmandatory.

Enclosure

Final Report on Audit of NASA Acquisition of Services Using the Federal Supply Schedules

**NASA ACQUISITION OF SERVICES USING THE FEDERAL  
SUPPLY SCHEDULES**

March 27, 2002

W

TO: H/Assistant Administrator for Procurement

FROM: W/Assistant Inspector General for Audits

SUBJECT: Final Report on the Audit of NASA Acquisition of Services Using the  
Federal Supply Schedules  
Assignment Number A-01-027-00  
Report Number IG-02-014

The subject final report is provided for your information and use. Please refer to the Executive Summary for the overall audit results. Our evaluation of your response is incorporated into the body of the report. The corrective actions taken or planned for all recommendations were responsive. All recommendations will remain open for reporting purposes until agreed-to corrective actions are completed. Please notify us when agreed-to actions have been completed, including the extent of testing performed to ensure corrective actions are effective.

If you have questions concerning the report, please contact Mr. Lorne A. Dear, Program Director, Procurement Audits, at (818) 354-5634; Mr. Tony A. Lawson, Program Manager, at (301) 286-6524; or Mr. Walter K. Curtis, Auditor-in-Charge, at (818) 354-9746. We appreciate the courtesies extended to the audit staff. The final report distribution is in Appendix E.

[original signed by]  
Alan J. Lamoreaux

Enclosure

cc:

AI/Associate Deputy Administrator

B/Acting Chief Financial Officer

B/Comptroller

BF/Director, Financial Management Division

G/General Counsel

JM/Director, Management Assessment Division

ARC/Director, Ames Research Center

GSFC/Director, Goddard Space Flight Center

JSC/Acting Director, Johnson Space Center

LaRC/Director, Langley Research Center

MSFC/Director, Marshall Space Flight Center

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# NASA Office of Inspector General

IG-02-014  
A-01-027-00

March 27, 2002

## NASA Acquisition of Services Using the Federal Supply Schedules

### Executive Summary

**Background.** In FY 2000, NASA awarded \$9.1 billion in contracts to business firms for the acquisition of services, supplies, and equipment, and research and development. NASA awarded \$5.1 billion (56 percent) of the \$9.1 billion for services. FAR Part 8, Section 8.001, establishes the "Priorities for use of Government supply sources,"<sup>7</sup> the second of which is the FSS for obtaining services.

The FSS provide sources for a wide variety of services including, but not limited to, document management, engineering, energy management, environmental advisory, financial management, mail management, marketing and media, personal property management, science, information technology, and travel. The GSA administers the FSS, negotiates pricing, and maintains the FSS, which incorporate sources from both large and small contractors. The FSS are available to other Government agencies, including NASA. A GSA-contracted study<sup>8</sup> found that it takes an average of 49 days to place an order under an FSS contract in comparison to an average of 268 days to award a contract using the traditional method,<sup>9</sup> a time savings of 81 percent. Upon request, GSA trains agency personnel as part of its effort to encourage the acquisition of services through the FSS.

The GSA established procedures that require ordering agencies to seek competitive quotes for services priced at an hourly rate. Also, the procedures state that the office ordering the services is responsible for considering the level of effort and mix of labor proposed to perform specific tasks and for making a determination that the total price is fair and reasonable.

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<sup>7</sup> Although the title of this section addresses "Government supply sources," the section describes the acquisition of supplies and services.

<sup>8</sup> In November 1998, Johnson & Johnson Associates, Inc., completed a study entitled "Impact of FAR 8.4" for the GSA.

<sup>9</sup> The traditional method of contracting requires that an agency identify a need, prepare and issue a request for quotations and supporting documentation, receive and evaluate quotations from multiple vendors, negotiate with the vendors, and award a contract to the vendor offering the best value.

**Objectives.** The overall objective was to determine whether NASA had effectively used the FSS for acquiring services. Specifically, we determined whether:

- NASA's procurement practices adequately considered acquisitions of services from the FSS as required by FAR Part 8 and
- the Agency achieved maximum benefits by acquiring services from the required sources.

Details on our audit scope and methodology are in Appendix A.

**Results of Audit.** NASA can more effectively use the FSS to acquire services. As part of the audit, we randomly reviewed 119 acquisitions of services at 5 NASA Centers with total obligations of about \$1.5 billion in FY 2000 and \$1.7 billion in FY 2001. Of the 119 sampled acquisitions, NASA CO's used the FSS to acquire 20 (63 percent) of the 32 acquisitions for services that were available through the FSS. However, we found that CO's had not considered the FSS as a source for the remaining 12 (37 percent) acquisitions (Finding A). Further, for 8 (40 percent) of the 20 services that were acquired through the FSS, the CO's did not follow GSA's ordering procedures with regard to obtaining multiple price quotes or providing sufficient information on the RFQ or SOW (Finding B). As a result, NASA had reduced assurance that it received the best value for its contracting dollars, and additional savings may have been possible.

**Recommendations.** We recommended that the Assistant Administrator for Procurement (1) direct NASA CO's to properly follow the FAR requirements for sources when acquiring services or to complete a waiver in accordance with the NASA FAR Supplement when using a non-FSS source for services that are available through the FSS, (2) require NASA Centers to obtain training directly from GSA on the efficient and economical use of the FSS, and (3) issue a PIC directing NASA CO's to follow the terms of the GSA ordering procedures when ordering services through the FSS.

**Management's Response.** Management concurred with all the recommendations. The Office of Procurement will issue a PIC by June 30, 2002, that will (1) remind CO's to follow the FAR requirements for sources when acquiring services, (2) advise the Centers of the availability for the GSA training, and (3) direct CO's to follow the terms of the GSA Ordering Procedures for Services when ordering services through the FSS. The complete text of the response is in Appendix D. We consider management's comments responsive. The Assistant Administrator did not see the need for or relevance of the waiver-related portion of the first recommendation. We agree that waivers relate only to mandatory sources, and waivers are not needed for the acquisition of nonmandatory services from a vendor not on the FSS. We believe, however, that NASA should encourage all CO's to consider the FSS as a source for services to save both time and money.

## Introduction

The GSA directs and manages the FSS program that provides Federal agencies with a simplified process for obtaining commonly used commercial supplies and services at prices associated with volume buying. In the past, the FSS covered only products, such as office equipment; however, in 1998, GSA added services to the schedules. GSA establishes contracts with commercial firms to provide supplies and services at stated prices for specific periods. The FSS contain the information necessary for placing delivery orders with schedule contractors.

To provide guidance to agencies seeking supplies and services, the GSA issued Ordering Procedures for Services, which are a set of FSS acquisition guidelines based on dollar thresholds. For acquisitions under the \$2,500 micro-purchase threshold,<sup>10</sup> orders are placed directly with the contractors for the services that best meet the agency's need. For acquisitions over the \$2,500 micro-purchase threshold and below the maximum order threshold,<sup>11</sup> the agency must: (1) prepare a SOW, (2) send an RFQ and the SOW to three FSS contractors, and (3) evaluate the contractors' quotes for the services to make a best value selection. For acquisitions over the maximum order threshold, the agency should seek quotes from additional contractors as well as price reductions from the FSS contractors.

The GSA stated "The Federal Supply Schedules Program ... provides continuous competition and real time market pricing and technology. It shortens lead-times and lowers administrative cost." In April 1999, GSA hosted a Best Practices Conference at which agency representatives<sup>12</sup> cited cost savings of 10 to 60 percent (depending on the services being acquired) by using the FSS.

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<sup>10</sup> FAR Part 2.101, "Definitions," defines the micro-purchase threshold as \$2,500.

<sup>11</sup> FAR Subpart 8.404 (b)(3), "Orders exceeding the maximum order threshold" states that each FSS contract has an established maximum order threshold. This threshold represents the point at which it is advantageous for the ordering office to seek a price reduction by obtaining quotes from additional contractors.

<sup>12</sup> The representatives were from the Social Security Administration, Department of State, and Department of Defense, as well as other agencies.

## **Findings and Recommendations**

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### **Finding A. Use of the Federal Supply Schedules**

NASA CO's at three Centers could have more effectively used the FSS to acquire services, and CO's at the five Centers reviewed were not consistent in their use of the FSS to procure similar services. Specifically, for 3 of the 5 NASA Centers, CO's did not consider the FSS as a source for 12 (37 percent) of the 32 acquisitions of services that we reviewed. The 12 services, costing NASA \$7.8 million, were available on the FSS. CO's did not consider the FSS as a source because the CO's had not researched the availability of services on the FSS, believed that the nature of the services was too sensitive, or used alternative acquisition methods.<sup>13</sup> Further, CO's had not been consistently trained in the proper use of the FSS. As a result, NASA had reduced assurance that it (1) received the best value for the services acquired or (2) completed the acquisitions in the least amount of time. Previous studies and historical data have shown that significant cost and time savings are achievable through use of the FSS.

#### ***FAR and NASA FAR Supplement Guidance***

FAR Subpart 8.001 (a), "Priorities for use of Government supply sources," states that agencies shall satisfy requirements for services from or through specific sources in a descending order of priority, the second of which is the FSS.<sup>14</sup>

FAR Subpart 8.404-3 (a), "Requests for waivers," states:

When an ordering office<sup>15</sup> that is a mandatory user<sup>16</sup> under a schedule determines that items available from the schedule will not meet its specific needs, but similar items from another source will, it shall submit a request for waiver to the Commissioner [of the] Federal Supply Service.<sup>17</sup>

The NASA FAR Supplement Subpart 1808.404-3(a), "Requests for waivers," states:

The head of the NASA office initiating the procurement request or a designated representative shall furnish the NASA contracting office a

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<sup>13</sup> Alternative acquisition methods used by CO's included (1) competing the award, (2) incrementally funding earlier contracts, and (3) awarding sole-source contracts.

<sup>14</sup> The FAR identifies the first source for services as the Committee for Purchase From People Who Are Blind or Severely Disabled.

<sup>15</sup> An ordering office is the office that requires a product or service.

<sup>16</sup> The FSS identifies selected Executive Branch agencies as mandatory users. As a result, the FSS becomes a mandatory source for those agencies. The Code of Federal Regulations requires all Executive agencies to comply with the priorities for use identified in the FSS.

<sup>17</sup> GSA management stated that it considers the GSA Ordering Procedures for Services to be mandatory for all agencies.

signed statement identifying the supplies or services to be purchased and explaining why similar items listed in the applicable schedule<sup>18</sup> will not meet the requirement.

The NASA FAR Supplement also discusses the process for reaching a decision if the contracting office disagrees that similar items listed in the applicable schedule will meet the requirement. However, the NASA FAR Supplement provides no further guidance on the use and potential benefits of the FSS.

### *Availability of Services Through the FSS*

The Center CO's should have used the FSS for 12 (37 percent) acquisitions for services. The acquisitions cost NASA \$7.8 million and are summarized below: [Withheld per FOIA exemption 5, 5 U.S.C. §552 (b)(5).]

- Nine acquisitions of services<sup>19</sup> Marshall obtained outside of the FSS were available through the FSS. For seven of the nine acquisitions, the CO's decided to continue with existing contractors by incrementally funding earlier contracts. For one of the nine acquisitions, the CO awarded a sole-source<sup>20</sup> follow-on contract to the original sole-source award. The contract files did not include a documented exception from the initiating offices for the acquisitions of services from non-FSS sources or a justification for the sole-source award.<sup>21</sup> For the one remaining acquisition (architectural and engineering services), the CO stated he did not consider the FSS because of the unique aspects of the necessary services. We could not identify any unique aspects of the needed architectural and engineering services.
- Two of the services Johnson acquired outside the FSS were available through the FSS. In one case, the CO did not acquire the services through the FSS because the CO obtained the services from a company that had a history of providing the work to Johnson, and the company was not on the FSS. Further, the contract file did not include a justification from the initiating office, as required by the NASA FAR Supplement, for the acquisition of the service from a non-FSS source. For the remaining acquisition, the Johnson CO had not considered the FSS as a potential source because the work related to a sensitive utility tunnel system at

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<sup>18</sup> The "applicable schedule" is the specific Federal Supply Schedule for the services that the office initiating the procurement request is seeking.

<sup>19</sup> These services included architectural and engineering services, data processing, and management support services.

<sup>20</sup> FAR Part 2.101, "Definitions," defines a "sole-source acquisition" as "a contract for the purchase of supplies or services that is entered into or proposed to be entered into by an agency after soliciting and negotiating with only one source."

<sup>21</sup> FAR Part 6.302-5, "Circumstances permitting other than full and open competition" requires a written justification when an agency awards a sole-source contract.

the Center. While maintenance services were available through the FSS, the CO had not considered the FSS because of the sensitivity of the location. The contract file did not include a discussion of the sensitivity of the tunnel system location or an exception for the acquisition of the service from a non-FSS source.

- One of the services Langley acquired outside of the FSS was for support services that were available through the FSS. The Langley CO did not check the FSS as a potential source, but instead, conducted a competition for the service. The contract file did not include documented exceptions from the initiating office for the acquisition of the services from a non-FSS source. The acquisition took 90 days from the date the CO issued the RFQ to contract award.

### ***Inconsistent Center Use of the FSS***

The five Centers did not consistently select the FSS to procure similar services. CO's at Goddard and Marshall acquired automatic data processing and telecommunications services and professional, administrative, and management support services through the FSS, while other CO's at the same Centers acquired the same type of services from non-FSS vendors. CO's either had not researched the availability of services on the FSS or did not consider the FSS because they believed the nature of the services was too sensitive.<sup>22</sup>

### ***Waivers for Non-FSS Sources***

CO's did not obtain waivers when non-FSS sources were used. The FAR explicitly states that the FSS is the second priority source for obtaining services. The NASA FAR Supplement states that the office initiating an acquisition request shall furnish a waiver when the FSS cannot be used. NASA should direct its CO's to follow the requirements of the FAR and NASA FAR Supplement with regards to using the FSS when acquiring services.

### ***Availability of FSS Training***

To encourage agencies to use the FSS to acquire services, the GSA provides training to contracting personnel in the use of the FSS and has issued Ordering Procedures for Services. The GSA expects all Federal agencies to use these procedures, which are available on the Internet. At the request of the Center management, the GSA provided training to the contracting staff at Marshall.<sup>23</sup> The other four Centers reviewed had not

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<sup>22</sup> We did not find any evidence in the contract files that the services were sensitive.

<sup>23</sup> GSA provided training to Marshall CO's in February 2001.

requested the training. NASA should pursue this training for all Agency CO's involved in the acquisition of services.

### ***Saving Resources by Using the FSS***

Because CO's did not take advantage of the services available through the pre-negotiated contracts in the FSS, NASA had reduced assurance that it received the best value in terms of scope of services and costs for its acquisitions of services. In addition, NASA contracting personnel unnecessarily expended time and budget resources in evaluating potential service providers when GSA had already accomplished the evaluations prior to awarding its FSS contracts.

At the GSA Best Practices Conference in April 1999, a representative of the Social Security Administration cited cost savings of 10 to 60 percent through the use of the pre-negotiated contracts. A study<sup>24</sup> of elapsed time savings at eight Executive Branch agencies conducted for the GSA in November 1998 reported an average of 49 days to place an order against an existing GSA contract (such as an FSS contract) compared to an average of 268 days to place an order under a non-GSA contract. The difference represents a time savings of more than 80 percent.

Based on the savings experienced by other agencies, we believe that time and monetary savings are also possible for NASA through more extensive use of the FSS. NASA should take prompt action to ensure increased use of the FSS.

## **Recommendations, Management's Response, and Evaluation of Response**

### **The Assistant Administrator for Procurement should:**

- 1. Direct NASA CO's to properly follow the FAR requirements for sources when acquiring services or to complete a waiver in accordance with the NASA FAR Supplement when using a non-FSS source for services that are available through the FSS.**

**Management's Response.** Concur. The Office of Procurement agreed to issue a PIC to remind CO's to follow the FAR requirements for sources when acquiring services. The expected completion date for this corrective action is June 30, 2002. The Assistant Administrator for Procurement did not see the need for or relevance of the waiver-related portion of the recommendation. Section 1808.404-3 of the NASA FAR Supplement addresses requests for waivers when acquiring certain services from non-FSS sources,

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<sup>24</sup> Johnson & Johnson Associates, Inc., completed the study, entitled "Impact of FAR 8.4 Comparative Analysis of Customer Elapsed-Time Savings" on November 13, 1998.

but is limited to ordering offices that are mandatory users. The section implements section 8.404-3 of the FAR, which states “[w]hen an ordering office that is a mandatory user under a schedule determines that items available from the schedule will not meet its specific needs, but similar items from another source will, it shall submit a request for waiver....” Currently, only three contracts are mandatory under the FSS. NASA CO’s do not negotiate awards for two of those contracts. The third mandatory contract relates to business cards, which NASA purchases from the GSA mandatory schedule. Additionally, management responded that the audit did not identify any instances of CO’s not providing waivers when such waivers were required for the three sources NASA considers mandatory. See Appendix D for the complete text of management’s comments.

**Evaluation of Management’s Response.** Management’s planned actions are responsive to the recommendation. The recommendation is resolved but will remain undispositioned and open until agreed-to corrective actions are completed.

Regarding the benefits available through the use of the FSS, NASA is limiting its ability to more effectively use the FSS by focusing its comments only on the three mandatory contracts. The FSS provides sources for a wide variety of services and allows agencies to shorten lead times and lower administrative costs. NASA contracting personnel unnecessarily expended time and budget resources in evaluating potential service providers when GSA had already accomplished the evaluations prior to awarding its FSS contracts. NASA can increase assurance that it received the best value in terms of scope of service and costs for its acquisition of services by emphasizing use of the FSS for any service, mandatory or nonmandatory, where possible.

GSA management told us that all agencies are expected to use the FSS, which according to the FAR is the second priority source for obtaining services. Some NASA CO’s did not even consider the FSS as a source for services, while other NASA CO’s used the FSS to acquire 20 of 32 nonmandatory services in our sample. We believe this use of the FSS resulted in a savings of time and money for NASA.

The Assistant Administrator's comments clarify NASA's position on when waivers are required, but the Agency still needs to encourage CO’s to acquire services through the FSS. The PIC should emphasize that CO's should acquire services through the FSS wherever possible whether the service is or is not obtained from a mandatory source. The CO's at 3 NASA Centers should have considered the FSS as a source for 12 acquisitions of services. Other Federal agencies have experienced time and monetary savings by acquiring services through the FSS. NASA CO's could also experience similar savings and would be exercising good business sense by acquiring services through the FSS, where possible.

**2. Request NASA Centers to obtain training directly from GSA on the efficient and economical use of the FSS.**

**Management's Response.** Concur. The Office of Procurement will advise the Centers of the availability for the GSA training. This information will be included in the PIC that is to be issued by June 30, 2002 (see Appendix D).

**Evaluation of Management's Response.** Management's planned actions are responsive to the recommendation. The recommendation is resolved but will remain undispositioned and open until agreed-to corrective actions are completed.

## **Finding B. Following GSA Ordering Procedures for Services**

CO's did not properly follow GSA procedures in obtaining multiple price quotes or providing information in the RFQ or SOW when acquiring services through the FSS. Specifically, for 20 FSS services acquired at the 5 Centers, Ames, Goddard, and Marshall did not follow the GSA Ordering Procedures for Services for 8 (40 percent) acquired services. The eight acquisitions were valued at \$2.9 million. The CO's did not follow procedures because they either had not been trained in using the procedures or made intentional decisions to use a specific vendor. As a result, NASA had reduced assurance that it received the best value for the services acquired.

### ***GSA Ordering Procedures for Services***

The GSA Ordering Procedures for Services in support of FAR Part 8.402 state:

...[t]he request [for quote] should be provided to three (3) contractors if the proposed order is estimated to exceed the micro-purchase threshold [\$2,500], but not exceed the maximum order threshold [a variable threshold]. ... Ordering offices should strive to minimize the contractors' costs associated with responding to requests for quotes for specific orders. Requests should be tailored to the minimum level necessary for adequate evaluation and selection for order placement. Oral presentations should be considered, when possible.

The Ordering Procedures for Services also state:

...[t]he request [for quote] shall notify the contractors what basis will be used for selecting the contractor to receive the order. The notice shall include the basis for determining whether the contractors are technically qualified and provide an explanation regarding the intended use of any experience and/or past performance information in determining technical qualification of responses.

The Ordering Procedures for Services require a SOW that outlines, at a minimum, the work to be performed, location of work, period of performance, deliverable schedule, applicable standards, acceptance criteria, and any special requirements (that is, security clearances, travel, special knowledge, etc.).

### ***Following Ordering Procedures for Services***

NASA CO's at the three Centers did not consistently follow the GSA Ordering Procedures for Services when acquiring services through the FSS. As shown in the table that follows, the CO's did not follow the GSA's Ordering Procedures for Services for 8 (40 percent) of the 20 acquisitions of services: [Withheld per FOIA exemption 5, 5 U.S.C. §552 (b)(5).]

## Use of Ordering Procedures for Services

<u>Location</u>	<u>Services Acquired Through FSS</u>	<u>GSA Ordering Procedures Properly Followed</u>	
		<u>Yes</u>	<u>No</u>
Ames	2	1	1
Goddard	4	1	3
Johnson	4	4	0
Langley	6	6	0
Marshall*	<u>4</u>	<u>0</u>	<u>4</u>
<b>Total</b>	<b><u>20</u></b>	<b><u>12</u></b>	<b><u>8</u></b>

\* The four sampled FSS acquisitions at Marshall occurred before GSA provided training in February 2001 for Marshall CO's on the use of the FSS.

CO's at Ames, Goddard, and Marshall did not request quotes from at least three vendors or did not provide the required specifics in the RFQ or the SOW. The following are examples of ways in which procedures were not followed:

- A CO at Ames did not request quotes from three vendors but instead acquired critical engineering services from a contractor through the FSS, using a sole-source justification for unusual and compelling urgency. To test the reasonableness of the rates of the contractor that provided the services, the CO documented in the contract files the rates of a different contractor who also offered engineering services through the FSS. However, the CO did not offer the second contractor a chance to provide a quote for the work and did not request quotes from other vendors. A comparison of rates in this manner does not ensure best value because the comparison does not adequately consider other factors such as labor mix and number of hours.
- A CO at Goddard [selected a contractor through the FSS for professional secretarial services because the contractor had provided the same services in the past. However, the CO did not request quotes from at least three vendors as required by the Ordering Procedures for Services. Therefore, NASA did not have assurance that the CO obtained the best value.
- In another case at Goddard, the ordering office prepared a SOW for automatic data processing and telecommunications services for a specific FSS vendor. The CO did not request quotes from at least three vendors. The CO intended to acquire services from the particular vendor using a sole-source justification. In

addition, the purchase request, which serves as the basis for the RFQ, was dated December 18, 1998, 5 days after a proposal was received from the vendor on December 13, 1998. Further, the sole-source justification was dated December 28, 1998, 10 days after the purchase request. For a sole-source acquisition of services, the FAR requires that the ordering office prepare a sole-source justification, a purchase request, and an SOW. The NASA CO then prepares an RFQ, which includes an SOW. After NASA issues the RFQ, the vendor submits either a quotation or proposal.

- In a third case at Goddard, an SOW involving automatic data processing and telecommunications services did not provide the specific information required by the GSA ordering procedures. The SOW included only a list of the line items of the required services and did not include other information such as the work to be performed, location of work, period of performance, deliverable schedule, applicable standards, acceptance criteria, and any special requirements (that is, security clearances, travel, special knowledge, etc.).
- At Marshall, two FSS contracts were awarded to vendors based on the requestors' sole-source justifications. One of the contracts was for special studies and analyses, and the other was for professional, administrative, and management services. The CO accepted the sole-source justifications and made no efforts to obtain three quotes (as required by the ordering procedures) even though the services were readily available through the FSS.
- In another case at Marshall, a CO initially sent an RFQ to one contractor (not to three as required by the ordering procedures) that had been specifically identified by the office requesting the automatic data processing and telecommunications services. The CO granted the contractor additional time to respond to the RFQ because of a holiday. The CO also modified the terms of the RFQ based on discussions between the requestor and the vendor. Subsequently, the CO sent an RFQ to two additional contractors, but did not grant them additional time to respond and did not modify the terms of that RFQ as the CO had done for the first contractor. Because the three contractors were not all responding to the same RFQ and within the same timeframes, the CO was not able to fairly evaluate the responses for a best value selection.
- In the fourth case at Marshall involving another request for automatic data processing and telecommunications services, the RFQ did not include the

evaluation criteria<sup>25</sup> to be used for selecting the contractor as required by the Ordering Procedures for Services.

NASA CO's at Ames, Goddard, and Marshall were not familiar with the GSA Ordering Procedures for Services that require CO's to request quotations from at least three vendors and to provide those vendors with the criteria that NASA CO's will use in evaluating the quotations. Three CO's at Goddard and three CO's at Ames stated that they were not aware of the GSA Ordering Procedures for Services.

### *Effects on NASA*

Because CO's did not offer multiple contractors the opportunity to provide quotations for needed services and did not provide the required details in the RFQ or SOW, NASA had reduced assurance that it received the best value for acquisition of services using the FSS. Further, without giving multiple contractors an equal opportunity to respond and not advising contractors of the evaluation criteria, NASA had little assurance that related quotations addressed the same evaluation criteria.

As discussed in Finding A, previous studies and historical data have shown that cost savings from 10 to 60 percent and time savings of more than 80 percent are obtainable through the use of the FSS. The CO's proper use of the GSA Ordering Procedures for Services will help ensure that acquisitions of services using the FSS are timely and result in obtaining the best value for NASA.

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<sup>25</sup> The evaluation criteria describe the basis that NASA will use in selecting the contractor to receive the order. The criteria shall include the basis for determining whether the contractors are technically qualified and provide an explanation regarding the intended use of any experience and/or past performance information in determining the technical qualification of the contractors' responses.

## **Recommendation, Management's Response, and Evaluation of Response**

- 3. The Assistant Administrator for Procurement should issue a PIC directing NASA CO's to follow the terms of the GSA Ordering Procedures for Services when ordering services through the FSS.**

**Management's Response.** Concur. The Office of Procurement agreed to issue the PIC by June 30, 2002.

**Evaluation of Management's Response.** Management's planned actions are responsive to the recommendation. The recommendation is resolved but will remain undispositioned and open until agreed-to corrective actions are completed.

## **Appendix A. Objectives, Scope, and Methodology**

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### **Objectives**

The overall objective was to determine whether NASA had effectively used the Federal Supply Schedules (FSS) for acquiring services, as described in the Federal Acquisition Regulation (FAR) Part 8.<sup>26</sup> Specifically, we determined whether:

- NASA's procurement practices adequately considered acquisitions of services from the FSS as required by FAR Part 8 and
- the Agency achieved maximum benefits by acquiring services from the required sources.

### **Scope and Methodology**

We reviewed applicable regulations, policies, and documentation from NASA and other Government agencies.

During the audit, we did the following:

- Researched the FAR, the NASA FAR Supplement, guidance from the Office of Federal Procurement Policy and the General Services Administration (GSA), and the FSS for criteria related to the acquisition of services through the FSS.
- Obtained current procurement information from NASA Headquarters to establish the number of service acquisitions by each Center for the period October 1, 1999, through February 28, 2001, and the number of acquisitions obtained through the FSS.
- Randomly selected service acquisitions made by Ames Research Center (Ames), Goddard Space Flight Center (Goddard), Johnson Space Center (Johnson), Langley Research Center (Langley), and Marshall Space Flight Center (Marshall) for a more detailed evaluation and discussion with the respective CO's.
- Discussed service acquisition criteria and procedures with GSA officials.
- Discussed specific acquisitions with Small Business Administration officials and with officials of the Wallops Flight Facility who have successfully used the FSS to acquire services.

### **Management Controls Reviewed**

We reviewed management controls over the acquisition of services using the FSS, including:

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<sup>26</sup>FAR Part 8 provides guidance for the acquisition of services from or through Government supply sources.

- FAR Part 8, “Required Sources of Supplies and Services”
- NASA FAR Supplement Part 1808, “Required Sources of Supplies and Services”
- FAR Part 38, “Federal Supply Schedule Contracting”
- Office of Federal Procurement Policy, “Best Practices for Multiple Award Task and Delivery Order Contracting,” July 1997
- General Services Administration “Ordering Procedures for Services (Requiring a Statement of Work),” September 2000

**Audit Field Work**

We conducted audit field work from April through December 2001 at NASA Headquarters, Ames, Goddard, Johnson, Langley, and Marshall. We performed the audit in accordance with generally accepted government auditing standards.

## **Appendix B. Service Contracts Acquired Outside the FSS**

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[Withheld per FOIA exemption 5, 5 U.S.C. §552 (b)(5).]

## **Appendix C. Service Contracts Acquired Through the FSS**

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[Withheld per FOIA exemption 5, 5 U.S.C. §552 (b)(5).]

## Appendix D. Management's Response

National Aeronautics and  
Space Administration  
**Headquarters**  
Washington, DC 20546-0001



HK

March 20, 2002

Reply to Attn of:

TO: W/Assistant Inspector General for Auditing  
FROM: HK/Director, Contract Management Division  
SUBJECT: Code H Response to OIG Draft Audit Report on NASA Acquisition of  
Services Using the Federal Supply Schedules, Assignment No. A-01-027-00

Enclosed is our response to the subject report dated February 21, 2002.

Please call Tom O'Toole at 202-358-0478 or Lou Becker at 202-358-4593 if you have any questions or need further coordination on this matter.

  
R. Scott Thompson

Enclosure

Recommendation 1:

The Assistant Administrator for Procurement should direct NASA COs to properly follow the FAR requirements for sources when acquiring services or to complete a waiver in accordance with the NASA FAR Supplement when using a non-FSS source for services that are available through the FSS.

Response:

Concur. The Code H will issue guidance to remind COs to follow the FAR requirements for sources when acquiring services.

*Inherent in this instruction is that NASA COs complete a waiver in accordance with the NASA FAR Supplement when using a non-FSS source for services that are available through a mandatory use FSS contract. However, the Assistant Administrator does not see the need for or relevance of the waiver-related portion of the recommendation.*

Section 1808.404-3 of the NASA FAR Supplement addresses requests for waivers when acquiring certain services from non-FSS sources. However, the scope of this NFS section is limited in that it only implements section 8.404-3 of the FAR, which states that “[w]hen an ordering office that is a mandatory user under a schedule determines that items available from the schedule will not meet its specific needs, but similar items from another source will, it shall submit a request for waiver ...” [underline added].

Currently, there exist only three mandatory contracts under the FSS. NASA COs do not negotiate awards for two of those contracts, airline paired cities and FedEx delivery services. The third mandatory contract relates to the acquisition of business cards, and NPD 9070.1 directs all NASA purchases of these cards be made from the GSA mandatory schedule. Nonetheless, in the present audit, the NASA Office of Inspector General (OIG) did not identify any instances of COs not providing waivers when such waivers were required for mandatory sources. Therefore, we do not see the relevance of this portion of the recommendation.

The guidance to remind COs to follow the FAR requirements for sources when acquiring services will be included in a PIC that will be issued by June 30, 2002.

Recommendation 2:

The Assistant Administrator for Procurement should request NASA Centers to obtain training directly from GSA on the efficient and economical use of the FSS.

Response:

Concur. Code H will advise the centers of the availability for the GSA training. This information will be included in the PIC that is to be issued by June 30, 2002.

## Appendix D

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Recommendation 3:

The Assistant Administrator for Procurement should issue a PIC directing NASA COs to follow the terms of the GSA Ordering Procedures for Services when ordering services through the FSS.

Response:

Concur. The PIC will be issued by June 30, 2002.

## **Appendix E. Report Distribution**

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### **National Aeronautics and Space Administration (NASA) Headquarters**

A/Administrator  
AI/Associate Deputy Administrator  
B/Acting Chief Financial Officer  
B/Comptroller  
BF/Director, Financial Management Division  
G/General Counsel  
H/Assistant Administrator for Procurement  
HK/Director, Contract Management Division  
HS/Director, Program Operations Division  
J/Assistant Administrator for Management Systems  
JM/Director, Management Assessment Division  
L/Assistant Administrator for Legislative Affairs  
M/Associate Administrator for Space Flight

### **NASA Centers**

Director, Ames Research Center  
Director, Dryden Flight Research Center  
Director, Glenn Research Center at Lewis Field  
Director, Goddard Space Flight Center  
Acting Director, Lyndon B. Johnson Space Center  
Director, Kennedy Space Center  
Director, Langley Research Center  
Director, George C. Marshall Space Flight Center  
Acting Director, Stennis Space Center  
Chief Counsel, John F. Kennedy Space Center

### **Non-NASA Federal Organizations and Individuals**

Assistant to the President for Science and Technology Policy  
Deputy Associate Director, Energy and Science Division, Office of Management and Budget  
Branch Chief, Science and Space Programs Branch, Energy and Science Division, Office of Management and Budget  
Director, Acquisition and Sourcing Management Team, General Accounting Office  
Senior Professional Staff Member, Senate Subcommittee on Science, Technology, and Space  
Director, Defense Contract Management Agency  
Director, Defense Contract Audit Agency

## **Appendix E**

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**Chairman and Ranking Minority Member – Congressional Committees and Subcommittees**

Senate Committee on Appropriations

Senate Subcommittee on VA, HUD, and Independent Agencies

Senate Committee on Commerce, Science, and Transportation

Senate Subcommittee on Science, Technology, and Space

Senate Committee on Governmental Affairs

House Committee on Appropriations

House Subcommittee on VA, HUD, and Independent Agencies

House Committee on Government Reform

House Subcommittee on Government Efficiency, Financial Management, and Intergovernmental Relations

House Subcommittee on Technology and Procurement Policy

House Committee on Science

House Subcommittee on Space and Aeronautics

**Congressional Member**

Honorable Pete Sessions, U.S. House of Representatives

## NASA Assistant Inspector General for Auditing Reader Survey

The NASA Office of Inspector General has a continuing interest in improving the usefulness of our reports. We wish to make our reports responsive to our customers' interests, consistent with our statutory responsibility. Could you help us by completing our reader survey? For your convenience, the questionnaire can be completed electronically through our homepage at <http://www.hq.nasa.gov/office/oig/hq/audits.html> or can be mailed to the Assistant Inspector General for Auditing; NASA Headquarters, Code W, Washington, DC 20546-0001.

**Report Title:** NASA Acquisition of Services using the Federal Supply Schedules

**Report Number:** \_\_\_\_\_ **Report Date:** \_\_\_\_\_

*Circle the appropriate rating for the following statements.*

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	N/A
1. The report was clear, readable, and logically organized.	5	4	3	2	1	N/A
2. The report was concise and to the point.	5	4	3	2	1	N/A
3. We effectively communicated the audit objectives, scope, and methodology.	5	4	3	2	1	N/A
4. The report contained sufficient information to support the finding(s) in a balanced and objective manner.	5	4	3	2	1	N/A

***Overall, how would you rate the report?***

- EXCELLENT     FAIR  
 VERY GOOD     POOR  
 GOOD

***If you have any additional comments or wish to elaborate on any of the above responses, please write them here. Use additional paper if necessary.*** \_\_\_\_\_

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**How did you use the report?** \_\_\_\_\_

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**How could we improve our report?** \_\_\_\_\_

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**How would you identify yourself? (Select one)**

- |   |  |
|---|--|
| <input type="checkbox"/> Congressional Staff  | <input type="checkbox"/> Media           |
| <input type="checkbox"/> NASA Employee  | <input type="checkbox"/> Public Interest |
| <input type="checkbox"/> Private Citizen  | <input type="checkbox"/> Other: _____    |
| <input type="checkbox"/> Government: _____ Federal: _____ State: _____ Local: _____ |  |

**May we contact you about your comments?**

**Yes:** \_\_\_\_\_ **No:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Telephone:** \_\_\_\_\_

Thank you for your cooperation in completing this survey.

## **Major Contributors to the Report**

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