AUDIT

Acquisition Management: Opportunities Exist for GAO to Strengthen Its Policies and Procedures

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Introduction

In fiscal year 2019, GAO entered into a 5-year blanket purchase agreement[1] for commercial facility maintenance (the BPA) with a maximum value of about $119 million.[2] The BPA was awarded under the General Services Administration (GSA) Schedule program.[3] GAO issued call orders (orders) under the BPA for time-and-materials efforts which included work involving multiple labor categories.[4] Each labor category had a specific labor rate established in the BPA. After the work associated with each order was completed, the contractor invoiced GAO; the agency then approved the invoices and issued payments.

Careful contract administration, especially concerning invoice review and approval, is critical to ensure GAO pays the correct labor rates for time-and-materials orders. This report presents the results of the Office of Inspector General's (OIG) self-initiated audit. The objective was to assess time-and-materials orders issued under the BPA. Details regarding the OIG's scope and methodology are included in appendix I.

Results in Brief

GAO contracting officials received adjusted labor rates from the contractor but did not modify the BPA and associated time-and-materials orders to reflect these higher rates before payment, which amounted to about $94,000 more than the previous rates. GAO was unable to explain why the BPA and the associated orders were not modified prior to payment. After the OIG identified the issue, GAO modified the BPA retroactively and asserted that the modification applied the adjusted rates to BPA option years 2, 3, and 4. The agency's previous modification of BPA option year 1 applied the adjusted rates to all applicable contract line item numbers (CLINs).[5] In contrast, the modification for

[1] BPAs are a "simplified method of filling anticipated repetitive needs for supplies or services" that establish terms and conditions between a federal agency and a contractor. GAO, *Financial Management and Business Operations Acquisition Management/Procurement Operations (AMPO) Standard Operating Procedures (SOP)* (Washington, D.C.: Dec. 15, 2020), 19–20.

[2] The BPA's original performance period was from January 2019 to December 2023 with a not-to-exceed value of about $79 million. GAO later modified the BPA to extend the performance period to June 2024 and increase the ceiling to about $119 million.

[3] The GSA Schedule program is a simplified, government-wide process that allows federal agencies to buy commercial supplies and services at volume-based prices. *See* Federal Acquisition Regulation (FAR) § 8.402(a). "GSA has already determined the prices of supplies and fixed-price services and rates for services offered at hourly rates under schedule contracts to be fair and reasonable." AMPO SOP, 19.

[4] "A time-and-materials contract provides for acquiring supplies or services on the basis of (1) Direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and (2) Actual cost for materials (except as provided for in 31.205-26(e) and(f))." FAR § 16.601.

[5] CLINs are "established to define deliverables or organize information about deliverables. Each line item describes characteristics for the item purchased, *e.g.*, pricing, delivery, and funding information." FAR § 4.1001(a).

option years 2, 3, and 4 excluded two of the applicable CLINs for the 18 invoices that the OIG reviewed.

In addition, the OIG found opportunities for GAO to clarify its procurement guidance involving (1) subcontracting and (2) GSA schedule procurements. Doing so could reduce the risks of GAO incurring excessive pass-through charges and procurement staff following unnecessary acquisition processes.[6]

Finding 1: Opportunities Exist for Improving GAO's Oversight of Contract Modifications and Its Invoice Review Processes

The OIG found that GAO paid $93,688 more than the original labor rates for 18 invoices.[7] The higher labor rates were due to the contractor's collective bargaining agreement for the BPA's second option year (adjusted rates). The contractor provided the adjusted rates to the contracting officer (CO) and the contracting officer's representative (COR) in February 2021, prior to submitting the invoices.[8] The OIG found that GAO had not modified the BPA to include these adjusted rates when the invoices were paid. Table 1 provides examples of four labor categories and the adjusted hourly labor rates that were paid, the original rates, and the difference between the two rates.

Table 1: Examples of Adjusted (Invoiced) Rates and Original Hourly Rates by Labor Category

Labor Category	Adjusted Rates	Original Rates	Difference
Category 1	$89.78	$85.39	$4.39
Category 2	85.99	82.03	3.96
Category 3	78.79	75.06	3.73
Category 4	93.02	89.37	3.65

Source: OIG analysis of selected invoices and the orders issued under a 2019 commercial facility maintenance blanket purchase agreement. | OIG-26-3

GAO officials acknowledged that the invoices reflecting the adjusted labor rates should not have been approved for payment until the adjusted rates were formally incorporated into the BPA and the applicable orders. As the CO is no longer with the agency, GAO officials could not explain why this modification was not made before invoice approval.

[6] An excessive pass-through charge is a charge to the government by a contractor or subcontractor for "indirect costs or profit/fee on work performed by a subcontractor (other than charges for the costs of managing subcontracts and any applicable indirect costs and associated profit/fee based on such costs)" to which the contractor or subcontractor adds no or negligible value. *See* FAR § 52.215-23. Although GAO is not required to follow the FAR, it is GAO's policy to generally follow the FAR and GAO incorporates some specific FAR provisions in its policies and procedures.

[7] The OIG reviewed 19 invoices that GAO received under four time-and-materials orders; however, one invoice used a labor rate that did not change.

[8] The CO was responsible for modifying the BPA. The COR, who is designated by the CO, is responsible for carefully and thoroughly reviewing invoices submitted by contractors prior to payment. GAO Order 0625.1, *Government Accountability Office Procurement Guidelines*, (Washington, D.C.: Feb. 24, 2021), 4–6 and 8; AMPO SOP, 2, 65–66, and 68.

In addition, the COR mistakenly thought updating the labor rates on an order under the BPA was sufficient to modify the original BPA rates. GAO acknowledged this labor rate issue affected additional orders outside the scope of this audit and stated it was reviewing the related orders under the BPA for action.[9] Completing the administrative step of modifying the BPA would have ensured the invoices were aligned with the BPA's terms. Although the orders were not modified for the adjusted labor rates before invoice approval, the funds allocated to the orders at the time of the award were sufficient to cover the increased labor rates.

In February 2023, the OIG notified GAO of the higher labor rates paid by the agency. In May 2023, GAO modified the BPA retroactively for option years 2, 3, and 4. GAO's previous modification of BPA option year 1 in December 2019 applied the adjusted rates to all applicable CLINs (see fig. 1).

Figure 1: December 2019 Modification to GAO's Commercial Facility Maintenance Blanket Purchase Agreement

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this modification is to include the wage adjustment dated 12/20/19 (Section III - Pricing Schedule). As result of this modification, the Option Year One Agreement Amount is increased by $144,856.20 from $8,117,927.64 to $8,262,783.84.

Source: Screenshot of modification to GAO Blanket Purchase Agreement. | OIG-26-3

In contrast, the May 2023 modification did not include all the applicable CLINs. Specifically, it excluded CLINs 0213 and 0217 for option year 2 which contained the labor rates for the 18 invoices that the OIG reviewed (see fig 2).

Figure 2: May 2023 Modification to GAO's Commercial Facility Maintenance Blanket Purchase Agreement

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)
The purpose of this "no-cost" Modification P0018 to the master BPA is for the following:

(a) Apply the adjusted labor rates for option Year 2 - CLINs 0202/0203/0207/0209/0210/0211/0212;
(b) Apply the adjusted labor rates for option year 3 - CLINs 0302/0303/0309/0310/0311;
(c) Apply the adjusted labor rates for option year 4 - CLINs 0402/0403/0409/0410/0411/0421/0422;
(d) The Period of Performance for this BPA is from 01/01/2019 thru 12/31/2023;
(e) Except as provided herein, all other terms and conditions remain unchanged and in full force and effect.

Source: Screenshot of modification to GAO Blanket Purchase Agreement. | OIG-26-3

GAO asserted that the May 2023 modification aligned the higher rates to the CLINs applicable to the invoices that the OIG reviewed. However, it has not provided supporting evidence.

Finding 2: Clarifying Guidance on Subcontracting Could Reduce GAO's Risk of Paying Excessive Pass-Through Charges

The OIG observed that GAO's standard operating procedures (SOP) for procurements did not provide clear guidance on evaluating a contractor's charges for indirect costs or profit on work performed by a subcontractor when the contractor adds no or only

[9] The OIG's scope for the audit was a judgmental sample of orders issued under GAO's commercial facility maintenance BPA during option year 2.

negligible value (excessive pass-through charges).[10] While subcontracting allows GAO to leverage additional resources for managing and supplementing its contract administration, it also introduces the risk of the agency incurring excessive pass-through charges.

GAO officials agreed that the agency's SOP needed to be updated. Federal standards state that management should implement control activities through policies.[11] Updated guidance could better inform GAO acquisition officials on how to manage the agency's risk of paying excessive pass-through charges when subcontracting. After the OIG brought this matter to the agency's attention, GAO agreed to update its SOP to provide clear guidance regarding excessive pass-through charges.

Finding 3: Clarifying GAO Guidance Could Help Staff Follow Consistent Procurement Processes

The OIG found that GAO could clarify its policies and procedures regarding the applicability of federal regulations for contracting by negotiation[12] to GSA schedule procurements.[13] While the applicable GAO Order states the agency follows the steps associated with the competitive procurement process for contracting by negotiation for GSA schedule procurements, the agency's SOP indicates that the federal contracting by negotiation processes do not apply to GSA schedule orders.[14]

This lack of clarity may result in GAO procurement staff taking unnecessary steps for GSA schedule procurements. GAO acknowledged that its policies and procedures were unclear and needed to be updated. According to federal standards, management should implement control activities through policies.[15] According to GAO officials, the agency is currently updating its policies and procedures to clarify the procurement process for awards under the GSA schedule.

[10] FAR § 52.215-23. As discussed above, although GAO is not required to follow the FAR, it is the agency's policy to generally follow the FAR; GAO incorporates some specific FAR provisions in its policies and procedures.

[11] GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 10, 2014), 56–57.

[12] FAR Part 15, Contracting by Negotiation.

[13] GAO Order 0625.1 and 12; AMPO SOP, 18–19. For GSA schedule procurements, "GSA has already determined the prices of supplies and fixed-price services and rates for services offered at hourly rates under schedule contracts to be fair and reasonable." AMPO SOP, 19.

[14] GAO Order 0625.1, 12; AMPO SOP, 18–19.

[15] GAO-14-704G, 56–57.

Conclusion

Proper contract administration is critical to ensure GAO complies with contract terms and conditions. By enhancing its oversight of contract modifications and invoice approvals, GAO could ensure that payments are consistent with the negotiated rates. Further, finalizing GAO's policies and procedures regarding excessive pass-through charges and the applicable procurement processes when using the GSA schedule could strengthen GAO's acquisition program and improve efficiencies for procurement staff.[16]

Recommendations for Executive Action

The OIG recommends the Director of Acquisition Management Procurement Operations:

1. Strengthen oversight processes to ensure any necessary modifications of labor rates are made before payment for all contracts, including blanket purchase agreements and associated orders.
2. Strengthen the invoice review process to ensure billed rates are correct before approving payments.
3. Demonstrate that the May 2023 blanket purchase agreement modification adjusted the labor rates for contract line item numbers 0213 and 0217 and, if not, take appropriate action.
4. Verify all orders under the commercial facility maintenance blanket purchase agreement awarded in 2019 include the appropriate labor rates.
5. Update policies and procedures to address subcontracting and the potential for excessive pass-through charges.
6. Update policies and procedures to clarify requirements related to the process for procurements made using the General Services Administration schedule.

Agency Comments and OIG Evaluation

The OIG provided GAO with a draft of this report for review and comment. In its written comments, which are reproduced in full in appendix II, GAO concurred with all findings and recommendations, described actions planned and taken to address them, and provided projected completion dates.

GAO provided the OIG with documentation that it completed corrective actions by modifying the blanket purchase agreement to address recommendation 3 and developing standard operating procedures regarding recommendation 5. Therefore, the

[16] The updated AMPO SOP dated May 11, 2026, does not address the issues identified in this report.

OIG closed these recommendations with the issuance of this report. The OIG will monitor GAO's actions to address the remaining recommendations and will close the recommendations when it receives sufficient evidence that the actions satisfy the intent of the recommendations.

Appendix I: Objective, Scope, and Methodology

Objective

The Office of Inspector General (OIG) conducted this audit to assess time-and-materials orders issued under GAO's commercial facility maintenance blanket purchase agreement (BPA) issued in January 2019.

Scope

The OIG conducted its work from January 2022 through September 2026. The audit scope included select time-and-materials orders issued under the BPA. The OIG reviewed orders during the BPA's second option year (from January 1, 2021, through December 31, 2021).

Methodology

The OIG identified and reviewed the relevant GAO Order, policies, procedures, and the Federal Acquisition Regulation. The OIG selected a judgmental sample of four time-and-materials orders awarded under the BPA. The OIG reviewed 19 invoices and associated supporting documentation for these orders to determine whether GAO paid the negotiated labor rates established in the BPA. The OIG obtained information from GAO officials and conducted interviews to understand BPA administration practices and clarify documentation reviewed during the audit.

Internal Controls

The OIG assessed internal controls to determine whether they were significant to the audit objective. This included consideration of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring.[17] In addition, the OIG reviewed the principles of internal controls associated with the objective. The OIG identified weaknesses related to the component and principles noted below, and proposed recommendations to address them:[18]

- Component: Control Activities
    - Principle 10. Design Control Activities
    - Principle 12. Implement Control Activities

[17] GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: Sept. 2014).

[18] Because the audit was limited to the internal control components and underlying principles identified, it may not have disclosed all internal control deficiencies that could have existed at the time of this audit.

Data Reliability

To assess the reliability of select contract data in GAO's financial management system, the OIG reviewed contract documentation for the BPA, associated orders, and invoices. The OIG also reviewed a contractor's spreadsheets related to the BPA and the associated orders. In addition, the OIG interviewed knowledgeable officials about the data. The OIG determined the reviewed data were sufficiently reliable for the purpose of the audit.

Government Standards

The OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that the OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Appendix II: Agency Comments

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Memorandum

Date: September 14, 2026

TINA KIRSCHBAUM Digitally signed by TINA KIRSCHBAUM Date: 2026.09.14 07:45:29 -04'00'

To: L. Nancy Birnbaum, Inspector General

Signed for William J. White, Jr., CAO/CFO

From: William J. White, Jr., Chief Administrative Officer/Chief Financial Officer

Subject: GAO Response to OIG No. 900387, Acquisition Management: Opportunities Exist for GAO to Strengthen its Policies and Procedures

Thank you for the opportunity to respond to the OIG's draft report entitled Acquisition Management: Opportunities Exist for GAO to Strengthen its Policies and Procedures (900387). We appreciate the time and effort the team took to examine our program. GAO concurs with all six of the recommendations outlined in the draft report. GAO has provided OIG with documentation demonstrating that the corrective actions associated with some recommendations have been completed as noted below and on the GAO Response document.

For finding and recommendation number one, going forward, GAO will ensure that labor rates are accurate and properly supported before payments are approved. In coordination with the arrival of the new Acquisition Management Director, GAO will provide appropriate training and update or develop standard operating procedures to ensure ongoing compliance with the recommendation.

For finding and recommendation number two, GAO has updated its Excessive Pass-Through Charges Standard Operating Procedure to address the recommendation and strengthen the related review and oversight processes.

For finding and recommendation number three, GAO provided the OIG evidence that the May 2023 blanket purchase agreement modification adjusted the labor rates for contract line item numbers 0213 and 0217 on August 12, 2026.

For finding and recommendation number four, GAO issued a modfication on May 30, 2023, for the commercial facility maintenance blanket purchase agreement awarded in 2019 to reflect the adjusted labor rates for option years two, three, and four. GAO will fully address and implement the recommendation following the selection and entrance on duty of the new Acquisition Management Director.

For finding and recommendation number five, GAO provided the OIG a standard operating procedure that addresses subcontracting and the potential for excess pass-through charges.

For finding and recommendation number six, GAO provided OIG the draft version of the order that addresses these issues. The Order is curently routing for management review.

GAO Response to OIG Findings and Recommendations for Acquisition Management Audit

Finding	Concur (Y/N)
1. Strengthen oversight processes to ensure any necessary modifications of labor rates are made before payment for all contracts, including blanket purchase agreements and associated orders.	Y
2. Strengthen the invoice review process to ensure billed rates are correct before approving payments.	Y
3. Demonstrate that the May 2023 blanket purchase agreement modification adjusted the labor rates for contract line item numbers 0213 and 0217 and, if not, take appropriate action.	Y
4. Verify all orders under the commercial facility maintenance blanket purchase agreement awarded in 2019 include the appropriate labor rates.	Y
5. Update policies and procedures to address subcontracting and the potential for excessive pass-through charges.	Y
6. Update policies and procedures to clarify requirements related to the process for procurements made using the General Services Administration schedule.	Y

GAO Response to OIG Findings and Recommendations for Acquisition Management Audit

Recommendation	Concur (Y/N)	Actions Taken or to be Taken	Estimated Completion Date
1. Strengthen oversight processes to ensure any necessary modifications of labor rates are made before payment for all contracts, including blanket purchase agreements and associated orders.	Y	Provide appropriate training and update or develop standard operating procedures to ensure that labor rates are accurate and properly supported before payments are approved.	March 2027
2. Strengthen the invoice review process to ensure billed rates are correct before approving payments.	Y	Provide appropriate training for related standard operating procedure to address this issue.	March 2027
3. Demonstrate that the May 2023 blanket purchase agreement modification adjusted the labor rates for contract line item numbers 0213 and 0217 and, if not, take appropriate action.	Y	Completed modifications.	August 12, 2026
4. Verify all orders under the commercial facility maintenance blanket purchase agreement awarded in 2019 include the appropriate labor rates.	Y	Evidence provided to OIG. Will fully address following the selection and entrance of new Acquisition Management Director.	August 12, 2026 March 2027
5. Update policies and procedures to address subcontracting and the potential for excessive pass-through charges.	Y	Provided the OIG a standard operating procedure that addresses subcontracting.	August 13, 2026

GAO Response to OIG Findings and Recommendations for Acquisition Management Audit

6. Update policies and procedures to clarify requirements related to the process for procurements made using the General Services Administration schedule.	Y	Updates to GAO Order 0625.1 are routing now for concurrence.	Publication of order by January 29, 2027

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