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United States General Accounting Office
Washington, DC 20548

January 31, 2003

Ms. Angela B. Styles
Administrator
Office of Federal Procurement Policy
Washington, D.C.

Subject: *OFPP Followup to Federal Supply Schedule Recommendations*

Dear Ms. Styles:

This report is to bring to your attention two GAO recommendations concerning the acquisition of information technology services under the Federal Supply Schedule (FSS). In our view, implementation of these recommendations has been delayed because of unnecessary coupling with other FSS issues.

In November 2000, we reported¹ that contracting officers did not follow FSS ordering procedures requiring them to seek competitive quotes for services. We found that many contracting officers were unaware of the requirement. Hence, we recommended, and the Office of Federal Procurement Policy agreed, that the requirement for competitive quotes should be included in the Federal Acquisition Regulation (FAR). We also recommended clarification of the FAR pertaining to sole source orders for services using the FSS. Although a FAR case has been opened, little progress has been made in implementing the recommendations. Moreover, the latest informal estimate indicates that a final rule will not be published until April 2004.

We are concerned about the delay because sales of services under the FSS continue to substantially increase. Moreover, recent federal audits suggest that the problems still exist. For example, in March 2002, the Office of Inspector General, National Aeronautics and Space Administration, found that contracting officers did not follow the ordering procedures for services in 8 of 20 reviewed contracts with regard to obtaining multiple quotes or providing sufficient information in the request for quotation or statement of work.²

¹U.S. General Accounting Office, *Contract Management: Not Following Procedures Undermines Best Pricing Under GSA's Schedule*, GAO-01-125 (Washington, D.C.: Nov. 28, 2000).

²Office of Inspector General, National Aeronautics and Space Administration, *NASA Acquisition of Services Using the Federal Supply Schedules*, Report Number IG-02-014 (Washington, D.C.: Mar. 27, 2002).

Also, in November 2002, the Department of Defense, Office of Inspector General, reported that in 36 of 44 orders for services contracting officials could not show that they followed FAR procedures for the Federal Supply Schedule or that they had requested quotes from multiple contractors as required by the Government Services Administration ordering procedures.³ Although the competitive quotes issue has been addressed in part by recent changes to the Defense FAR Supplement, a FAR revision is necessary for a comprehensive implementation of the recommendation.

We understand that the delay in implementation is the result of efforts to address matters other than the need to obtain competitive quotes. For example, one issue has been whether the use of time-and-materials contracts should be allowed under the Federal Supply Schedule.

We believe the guidance concerning competitive quotes and sole source awards for services should be incorporated into the FAR before resolving other issues. More importantly, we believe that this would provide a foundation for immediate improvements in the use of FSS contracts.

We are also sending copies of this report to officials at the General Services Administration. The report will be available at no charge on the GAO Web site, www.gao.gov. If you have any questions about this report, please contact me at (202) 512-4841 or Ralph Dawn at (202) 512-4544.

Sincerely yours,

A handwritten signature in black ink that reads "David E. Cooper". The signature is written in a cursive style with a large, sweeping initial "D".

David E. Cooper
Director
Acquisition and Sourcing Management

(120201)

³Office of Inspector General, U.S. Department of Defense, *Acquisition: Contract Actions Awarded to Small Businesses*, Report Number D-2003-029 (Washington, D.C.: November 25, 2002).