U.S. Army Engineering and Support Center, Huntsville, Price Reasonableness Determinations for Federal Supply Schedule Orders for Supplies Need Improvement
Mission
Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision
Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.

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March 29, 2016

Objective
We determined whether U.S. Army Corps of Engineers contracting officers made determinations of fair and reasonable pricing for General Services Administration Federal supply schedule orders awarded for purchases of supplies. We reviewed a nonstatistical sample of 33 orders, valued at $13.6 million.

Findings
Contracting personnel at the U.S. Army Engineering and Support Center, Huntsville (CEHNC), made adequate price reasonableness determinations for 8 of 33 orders, valued at $3.6 million of $13.6 million, reviewed. Specifically, CEHNC contracting personnel compared the prices from more than one technically acceptable vendor quote and selected the lower vendor quote.

However, CEHNC contracting personnel did not adequately document and support their price reasonableness determinations for 25 orders, valued at $10 million. Specifically, CEHNC contracting personnel relied on:

- inadequate independent Government estimates for all 25 orders. This occurred because they relied on the expertise of the preparers of the independent Government estimates rather than having the preparers document and support the basis of the estimate as required by the Army Federal Acquisition Regulation Supplement and U.S. Army Corps of Engineers guidance. In addition, while the contracting officers stated that they took training on preparing independent Government estimates, they did not document that they completed that training;
- vendor quotes that were eliminated from consideration for technical reasons for 7, valued at $3 million, of the 25 orders without verifying whether the prices were still valid for comparison purposes. The contracting officer stated that this was an oversight. In addition, we determined that CEHNC did not have guidance on using technically unacceptable quotes for price reasonableness determinations.

In addition, CEHNC contracting personnel relied on price reasonableness determinations that were not approved until after the award of 4, valued at $1.76 million, of the 33 orders. The contracting officer stated that this was an oversight. In addition, we determined that CEHNC did not have guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders. As a result, CEHNC customers may have paid more than they should have for the supplies purchased.

Recommendations
We recommend the Commander, CEHNC, provide refresher training detailing contracting officers responsibilities for developing, reviewing, and approving independent Government estimates; document contracting personnel completion of the training; develop and implement guidance requiring contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations; and develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

Management Comments and Our Response
The Commander, CEHNC, addressed all specifics of the recommendations, and no further comments are required. Please see the Recommendations Table on the back of this page.
## Recommendations Table

<table>
<thead>
<tr>
<th>Management</th>
<th>Recommendations Requiring Comment</th>
<th>No Additional Comments Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commander, U.S. Army Engineering and Support Center, Huntsville</td>
<td>None</td>
<td>1.a, 1.b, 1.c</td>
</tr>
</tbody>
</table>
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY
COMMANDER, U.S. ARMY CORPS OF ENGINEERS


We are providing this report for information and use. Contracting personnel from the U.S. Army Engineering and Support Center, Huntsville, Alabama, made adequate price reasonableness determinations for 8 of 33 orders, valued at $3.6 million, involving more than one technically acceptable quote. However, they did not make adequate price reasonableness determinations for 25 orders, valued at $10 million, involving only one technically acceptable quote. As a result, U.S. Army Engineering and Support Center, Huntsville, customers may have paid more than they should have for the supplies purchased. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Commander, U.S. Army Engineering and Support Center, Huntsville, addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

Michael J. Roark
Assistant Inspector General
Contract Management and Paymentss
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Introduction

Objective

We determined whether the U.S. Army Corps of Engineers (USACE) contracting officers made determinations of fair and reasonable pricing for General Services Administration (GSA) Federal supply schedule (FSS) orders awarded for purchases of supplies. See Appendix A for scope, methodology, and prior coverage.

Use of Federal Supply Schedules

The GSA FSS program allows the Government to purchase commercial supplies and services at prices associated with volume buying. Through the program, GSA awards indefinite delivery contracts to provide supplies and services at discounted prices for the term of the contract. The Federal Acquisition Regulation (FAR)\(^1\) states, “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. Therefore, ordering activities are not required to make a separate price reasonableness determination for individual orders placed against the indefinite delivery contracts.”

Class Deviation

The Director, Defense Procurement and Acquisition Policy, issued “Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts,” (class deviation)\(^2\) on March 13, 2014. The class deviation requires contracting personnel to make determinations of fair and reasonable pricing for GSA FSS orders (hereafter referred to as orders). Specifically:

Supplies offered on the schedule are listed at fixed prices. Services offered on the schedule are priced either at hourly rates, or at a fixed price for performance of a specific task (e.g., installation, maintenance, and repair). GSA has determined the prices of supplies and fixed-price services, and rates for services offered at hourly rates, to be fair and reasonable for the purpose of establishing the schedule contract. GSA’s determination does not relieve the ordering activity contracting officer from the responsibility of making a determination of fair and reasonable pricing for individual orders, BPAs [blanket purchase agreements], and orders under BPAs, using the proposal analysis techniques at 15.404-1. The complexity and circumstances of each acquisition should determine the level of detail of the analysis required.

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\(^2\) FAR 1.401(a) defines a deviation as the issuance or use of a policy, procedure, solicitation provision, contract clause, method, or practice of conducting acquisition actions of any kind at any state of the acquisition process that is inconsistent with the FAR. FAR 1.404 defines a class deviation as a deviation that affects more than one contract action.
The class deviation remains in effect, and will remain in effect, until incorporated in the Defense Federal Acquisition Regulation Supplement or otherwise rescinded.

**U.S. Army Engineering and Support Center, Huntsville**

The U.S. Army Engineering and Support Center, Huntsville (CEHNC), in Huntsville, Alabama, supports national interest by providing specialized technical expertise, global engineering solutions, and cutting edge innovations through centrally managed programs. It provides unique technical expertise to programs that are generally at a national level or broad in scope. CEHNC supports tasks not normally accomplished by a USACE headquarters element; tasks that require a centralized management structure, integrated facilities, or systems that cross geographic division boundaries; and tasks that require commonality, standardization, multiple-site adaption, or technology transfers.

**Orders Reviewed**

We used the Federal Procurement Data System-Next Generation (FPDS-NG) to identify the universe of orders for supplies awarded by Army contracting personnel from March 14, 2014, through May 31, 2015. We selected CEHNC in Huntsville, Alabama, because, according to FPDS-NG, CEHNC contracting officers awarded more orders involving one quote than any other Army contracting office. We reviewed all 16 orders, valued at $6.5 million, that involved one quote. We also reviewed all 17 orders, valued at $7.1 million, that involved two quotes to confirm that competition occurred and that competition was the basis for supporting contracting officers’ determination of fair and reasonable pricing. Overall, we nonstatistically selected 33 orders, valued at $13.6 million, for review (See Appendix B).

**Review of Internal Controls**

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified an internal control weakness with CEHNC contracting personnel not adequately documenting and supporting their price reasonableness determinations. We will provide a copy of the report to the senior official responsible for internal controls at USACE.
Finding

CEHNC Contracting Personnel Did Not Always Make Adequate Price Reasonableness Determinations

CEHNC contracting personnel made adequate price reasonableness determinations for 8 of 33 orders, valued at $3.6 million of $13.6 million, reviewed. Specifically, CEHNC contracting personnel compared the prices from more than one technically acceptable vendor quote and selected the lower vendor quote.

However, CEHNC contracting personnel did not adequately document and support their price reasonableness determinations for 25 orders, valued at $10 million. Specifically, CEHNC contracting personnel relied on:

- inadequate independent Government estimates (IGEs) that did not identify the basis of the estimate for all 25 orders. This occurred because they relied on the expertise of the preparers of the IGEs rather than having the preparers document the basis of the estimate as required by the Army FAR Supplement and USACE guidance. In addition, while the contracting officers stated that they took training on preparing IGEs, they did not document that they completed that training; and

- vendor quotes that were eliminated from consideration for technical reasons for 7, valued at $3 million, of the 25 orders without verifying whether the prices were still valid for comparison purposes. The contracting officer stated that this was an oversight. In addition, we determined that CEHNC did not have guidance on using technically unacceptable quotes for price reasonableness determinations.

In addition, CEHNC contracting personnel relied on price reasonableness determinations that were not approved until after the award of 4, valued at $1.76 million, of the 33 orders. The contracting officer stated that this was an

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3 According to the Director, Defense Procurement and Acquisition Policy, memorandum, “Source Selection Procedures,” March 4, 2011, “technical” refers to non-price factors other than past performance. The purpose of the technical factor is to assess whether the offeror’s proposal will satisfy the Government’s minimum requirements.

4 FAR Subpart 8.4, “Federal Supply Schedules” uses the term “quote” to refer to offers made by prospective vendors competing for orders placed under the GSA Federal supply schedules. However, the class deviation requires contracting officers to use the price analysis techniques under FAR 15.404-1 which uses the term “proposal.” For the purposes of this report, we use the term “quote” in reference to the offers received for the 33 orders we reviewed.


Finding

oversight. In addition, we determined that CEHNC did not have guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

As a result, CEHNC customers may have paid more than they should have for the supplies purchased.

**Price Competition Substantiated**

**Price Reasonableness Determinations**

CEHNC contracting personnel made adequate price reasonableness determinations for 8 of 33 orders, valued at $3.6 million of $13.6 million, by comparing the prices from more than one technically acceptable vendor quote and selecting the lower vendor quote. The FAR\(^7\) states that the Government may compare vendor prices in response to a solicitation to ensure a fair and reasonable price. For example, the contracting officer for order W912DY-14-F-0289 received two quotes, one for $1.02 million and another for $0.95 million. Both quotes were technically acceptable and the contracting officer selected the lower quote.

**CEHNC Contracting Personnel Relied on Inadequate Independent Government Estimates**

CEHNC contracting personnel relied on inadequate IGEs that did not identify the basis of the estimate for 25 orders, valued at $10 million, because they relied on the expertise of the IGE preparers rather than asking the preparers to identify the basis of the estimate as required by the Army FAR Supplement and USACE guidance. While contracting personnel stated they completed IGE training, they could not provide documentation showing that they completed the training. See Appendix C for a listing of contracts with inadequate IGEs.

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Contracting Personnel Did Not Follow Army Guidance

CEHNC contracting personnel did not follow the Army FAR Supplement,\(^8\) which states that an IGE shall contain enough detail to verify the validity of the offerors’ proposals and provide sufficient narrative and analytical detail, to include reference material, to support its preparation. In addition, they did not follow USACE guidance\(^9\) which states that, before an IGE is accepted, the contracting officer must review all IGES and ensure the IGE contains specific elements including sufficient narrative explaining the basis for the estimate and clear identification of the reference material used. The USACE guidance also states that, if the IGE is received without the required details, the contracting officer must return the IGE and request correction before any further action is taken on the acquisition.

For example, the IGE for order W912DY-14-F-0447, valued at $791,813.25, stated, “this estimate was developed using GSA pricing,” but did not identify the basis of the estimate such as which GSA schedules were used for the estimate, how many individual schedules were used to develop the estimate, and what processes were used to determine the estimated values. The CEHNC contracting officer stated that he did not return the IGE to the preparer for additional information because he relied on the expertise of the preparer of the IGE rather than asking the preparer to identify the basis of the estimate.

Contracting Personnel Did Not Document Completion of IGE Training

CEHNC conducted IGE training in May 2012 to address contracting officer responsibilities, including ensuring that IGES document how prices or costs were developed, and that IGES clearly identify reference materials used to develop the IGES. We determined that the May 2012 training reinforced the requirements in the USACE guidance\(^10\) and adequately addressed how to prepare an IGE.

Contracting personnel stated they completed IGE training. While the contracting officers stated that they took the May 2012 training, they could not provide documentation showing that they completed the training. The Commander, CEHNC, should provide refresher training detailing contracting officer’s responsibilities for developing, reviewing, and approving IGES and document completion of the training.

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A CEHNC Contracting Officer Relied on Technically Unacceptable Quotes for Price Reasonableness Determinations

A CEHNC contracting officer used quotes eliminated from consideration for technical reasons for seven orders, valued at $3 million, for making price reasonableness determinations without verifying whether the prices were still valid for comparison purposes. The contracting officer stated the use of the eliminated quotes was an oversight. The 7 orders were part of the 25 orders that also had IGE deficiencies.

For example, the contracting officer for order W912DY-14-F-0302, valued at $1.1 million, determined that the price paid was fair and reasonable by comparing the quote from one vendor to the IGE and other quotes. However, the only other quote received was eliminated for technical reasons because the vendor bid on the wrong model number of an item and did not bid on all items in the request for quote. The contracting officer did not verify that the prices from the eliminated quote were still valid for price reasonableness determination purposes. CEHNC did not have guidance to prevent the use of a technically unacceptable quote for price reasonableness determinations.

The Commander, CEHNC, should develop and implement guidance that requires contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations.

Orders Awarded Before Price Reasonableness Determinations Approved

CEHNC contracting personnel relied on price reasonableness determinations that were not approved until after the award of 4, valued at $1.76 million, of the 33 orders because of an oversight by the contracting officer. Contracting personnel awarded three of the orders on September 30, 2014, the last day of the fiscal year. As the table below illustrates, the time lapse between award date and price reasonableness determination approval date ranged from 36 days to more than a year.
<table>
<thead>
<tr>
<th>Order Number</th>
<th>Order Amount* (in thousands)</th>
<th>Award Date</th>
<th>Price Reasonableness Determination Approval Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>W912DY-14-F-0473</td>
<td>$279</td>
<td>September 30, 2014</td>
<td>November 5, 2014</td>
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<tr>
<td>W912DY-14-F-0248</td>
<td>228</td>
<td>August 7, 2014</td>
<td>September 22, 2015</td>
</tr>
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<td>W912DY-14-F-0447</td>
<td>792</td>
<td>September 30, 2014</td>
<td>July 10, 2015</td>
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<tr>
<td>W912DY-14-F-0479</td>
<td>456</td>
<td>September 30, 2014</td>
<td>July 2, 2015</td>
</tr>
<tr>
<td>Total</td>
<td>$1,755</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Amounts are rounded.

The FAR\textsuperscript{11} states that the contracting officer is responsible for evaluating the reasonableness of the offered prices. USACE guidance\textsuperscript{12} provides a toolkit for reviewing contract files that asks, “Is there clear evidence of adequate cost/price analysis and price reasonableness determination?” However, the instructions and toolkit do not specifically require that the price reasonableness determination be approved before the order is awarded. In addition, CEHNC did not have any guidance requiring that the price reasonableness determination be approved before an order was awarded.

The contracting officer for three orders stated that not approving the Contracting Officer’s Determination, which included the statement that the prices paid were fair and reasonable, was an oversight on his part. The contracting officer responsible for the other order no longer worked for CEHNC. The Director, CEHNC, should develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

**Conclusion**

Documentation is a necessary part of an effective internal control system. However, CEHNC contracting personnel relied on inadequate documentation when making price reasonableness determinations for 26 orders, valued at $10.5 million. Specifically, CEHNC contracting personnel relied on inadequate IGEs that did not identify the basis of the estimate and quotes eliminated for technical reasons, without determining whether the technical problems had affected the pricing of those quotes, when making price reasonableness determinations. As a result, CEHNC customers may have paid more than they should have for the supplies purchased.


\textsuperscript{12} USACE Acquisition Instruction, version 3, November 1, 2014.
Recommendations, Management Comments, and Our Response

**Recommendation 1**

We recommend the Commander, U.S. Army Engineering and Support Center, Huntsville,

a. Provide refresher training on contracting officers responsibilities for developing, reviewing, and approving independent Government estimates, and document completion of the training.

**U.S. Army Engineering and Support Center, Huntsville Comments**

The Commander, CEHNC, partially agreed, stating that contracting officers review and ensure they understand the basis of IGEs but do not develop or approve them. USACE Procurement Instruction Letter 2012-03-R1 states that the IGE approver shall not be the contracting officer for the acquisition, but shall be a person who is competent in judging the validity of the IGE. The development and approval of the IGE are independent from the acquisition approval authority to ensure checks and balances. The IGE is approved at least one level above the preparer by the requiring activity as another check and balance. The contracting officer’s obligation is to read and assess whether the IGE provides clear, relevant, and complete information and narrative with detail commensurate to the action. CEHNC agreed that any IGE that does not meet the needs of the contracting officer should be returned to the preparer for additional information and clarifications as required. Refresher training on the need to review and assess the adequacy of the basis for the IGE will be provided at multiple forums in March 2016.

**Our Response**

Although the Commander, CEHNC, partially agreed with the recommendation, the comments addressed the intent of the recommendation and no further comments are required.

b. Develop and implement guidance requiring contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations.
**U.S. Army Engineering and Support Center, Huntsville Comments**

The Commander, CEHNC, agreed, stating that when technical proposals are rejected, the price analysis will include any rationale for including those proposals. The Source Selection Advisory Committee and/or the Source Selection Authority will review price and technical evaluations after which a decision will be made on whether or not the pricing of those proposal found technically unacceptable still has merit for price analysis. This decision will be documented. Refresher training for this will be provided at multiple forums in March 2016.

**Our Response**

Comments from the Commander addressed all specifics of the recommendation, and no further comments are required.

c. **Develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.**

**U.S. Army Engineering and Support Center, Huntsville Comments**

The Commander, CEHNC, agreed, stating that the Contracting Directorate will conduct refresher training for contracting officers to ensure they make a determination of fair and reasonable pricing and document their determination in the contract file. The refresher training will be provided at multiple forums in March 2016. However, the Commander requested a wording change to the recommendation stating that contracting officers determine whether prices are fair and reasonable rather than approving the determination.

**Our Response**

Although comments from the Commander requested a wording change to the recommendation, his comments addressed all specifics of the recommendation, and no further comments are required. We did not change the wording of the recommendation because, while we agree that contracting officers determine whether prices are fair and reasonable, the contracting officers should have approved the contract specialists’ work before the orders were awarded for 4 orders as they did for the other 29 orders.
Appendix A

Scope and Methodology
We conducted this performance audit from June 2015 through February 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Universe and Sample
We used FPDS-NG to identify the universe of orders that Army contracting personnel awarded for purchases of supplies from March 14, 2014, through May 31, 2015. We eliminated:

- contract modifications, and
- orders valued below the $150,000 simplified acquisition threshold.

The Army universe consisted of 601 orders, valued at $334.8 million. From the 601 orders, we identified contracting offices that awarded orders where only one quote was received, resulting in a modified universe of 219 orders, valued at $105 million. We selected CEHNC in Huntsville, Alabama, because, according to FPDS-NG, CEHNC contracting officers awarded more orders involving one quote than any other Army contracting office. We selected all 16 orders, valued at $6.5 million, involving one quote to review.

We also reviewed 17 orders, valued at $7.1 million, that involved two quotes to confirm that competition occurred and that competition was the basis for supporting contracting officers’ determination of fair and reasonable pricing. Overall, we nonstatistically selected 33 orders, valued at $13.6 million, to review.

Work Performed
We collected, reviewed, and analyzed documents for 33 orders, valued at $13.6 million, to determine whether CEHNC contracting officers made adequate determinations of fair and reasonable pricing. The documentation included:

- orders,
- vendor quotes,
• Contracting Officer’s Determinations,
• Determinations of Technical and Price Reasonableness, and
• IGEs.

We obtained documentation from the Electronic Document Access system and the Army Paperless Contract Files. We reviewed documentation dated from December 2008 through December 2015.

We used the following criteria as the basis for our analysis.

• FAR Subpart 8.4, “Federal Supply Schedules;”
• FAR Subpart 15.4, “Contract Pricing;”
• Director, Defense Procurement and Acquisition Policy, “Class Deviation—Determination of Fair and Reasonable Prices When Using Federal Supply Schedule Contracts,” March 13, 2014;
• Director, Defense Procurement and Acquisition Policy, memorandum, “Source Selection Procedures,” March 4, 2011;
• Army FAR Supplement Part 5107, “Acquisition Planning;”
• USACE Acquisition Instruction, version 3, November 1, 2014; and

We interviewed CEHNC contracting officers who awarded the orders to determine whether they were aware of the class deviation and to review their documentation of price analysis and price reasonableness determinations. In addition, we met with the CEHNC head of contracting. We also met with personnel from the Office of the Director, Defense Procurement and Acquisition Policy, to discuss issues related to the deviation, the adequacy of the IGEs, and the use of technically unacceptable quotes for price reasonableness determinations.
Use of Computer-Processed Data
We did not use computer-processed data to support our findings and conclusions.

Use of Technical Assistance
We received technical assistance from the Quantitative Methods Division to select a nonstatistical sample of orders to review.

Prior Coverage
The Department of Defense Inspector General, Government Accountability Office, Army Audit Agency, the Air Force Audit Agency, and the Naval Audit service have not issued any reports on the class deviation since it became effective on March 13, 2014.
## Appendix B

General Services Administration Federal Supply Schedule Orders Reviewed

<table>
<thead>
<tr>
<th></th>
<th>GSA FSS Order Number</th>
<th>Order Amount* (in thousands)</th>
<th>Description of Supplies Purchased</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>W912DY-14-F-0289</td>
<td>$950</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Wainwright, Alaska, Hangar building 3007</td>
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<tr>
<td>2</td>
<td>W912DY-14-F-0338</td>
<td>843</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Navy Kitsap Bremerton, Washington, building 1001</td>
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<tr>
<td>3</td>
<td>W912DY-14-F-0414</td>
<td>491</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 1355-A</td>
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<td>4</td>
<td>W912DY-14-F-0469</td>
<td>269</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Schofield Barracks, Hawaii, building 360</td>
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<td>5</td>
<td>W912DY-14-F-0507</td>
<td>232</td>
<td>Information Management/Information Technology equipment for Womack Army Medical Center, North Carolina, Lifecycle Replacement</td>
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<td>6</td>
<td>W912DY-14-F-0351</td>
<td>198</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Lee, Virginia, building 7119</td>
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<td>7</td>
<td>W912DY-14-F-0497</td>
<td>196</td>
<td>Naval Meteorology and Oceanography Command Lifecycle Replacement of A2 High Performance Computing nodes</td>
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<td>8</td>
<td>W912DY-14-F-0479</td>
<td>456</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Joint Base San Antonio, Texas, building 44</td>
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<td>9</td>
<td>W912DY-15-F-0008</td>
<td>796</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Boeblingen, Germany, Elementary School (administrative furnishings)</td>
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<tr>
<td>10</td>
<td>W912DY-14-F-0447</td>
<td>792</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Camp Stanley, Korea, various buildings</td>
</tr>
<tr>
<td>11</td>
<td>W912DY-14-F-0253</td>
<td>700</td>
<td>EnterSpace Decisioning Service software maintenance</td>
</tr>
<tr>
<td>12</td>
<td>W912DY-14-F-0250</td>
<td>650</td>
<td>Way-Finding &amp; Patient Check-In System</td>
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<tr>
<td>13</td>
<td>W912DY-14-F-0254</td>
<td>513</td>
<td>TerraBuilder and TerraExplorer Pro bundle software licenses and maintenance</td>
</tr>
<tr>
<td>14</td>
<td>W912DY-14-F-0132</td>
<td>502</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 2391, Section A</td>
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</tbody>
</table>
### General Services Administration Federal Supply Schedule Orders Reviewed (cont’d)

<table>
<thead>
<tr>
<th></th>
<th>GSA FSS Order Number</th>
<th>Order Amount* (in thousands)</th>
<th>Description of Supplies Purchased</th>
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</thead>
<tbody>
<tr>
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<td>W912DY-14-F-0376</td>
<td>482</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 3003</td>
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<tr>
<td>16</td>
<td>W912DY-14-F-0309</td>
<td>413</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Leonard Wood, Missouri, building 11402</td>
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<tr>
<td>17</td>
<td>W912DY-14-F-0439</td>
<td>350</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Schofield, Building 1091</td>
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<tr>
<td>18</td>
<td>W912DY-14-F-0440</td>
<td>235</td>
<td>Furnishings, Services, and Shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Polk, Louisiana, building 3802</td>
</tr>
<tr>
<td>19</td>
<td>W912DY-14-F-0248</td>
<td>228</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Great Lakes, various buildings</td>
</tr>
<tr>
<td>20</td>
<td>W912DY-14-F-0377</td>
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<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Hunter Army Airfield, Georgia, building 81273</td>
</tr>
<tr>
<td>21</td>
<td>W912DY-15-F-0029</td>
<td>165</td>
<td>Miscellaneous furniture, Soldier Care Clinic, Fort Drum, New York</td>
</tr>
<tr>
<td>22</td>
<td>W912DY-14-F-0495</td>
<td>159</td>
<td>Naval Meteorology and Oceanography Command Assured Compliance Assessment Solution compliance hardware and software</td>
</tr>
<tr>
<td>23</td>
<td>W912DY-14-F-0396</td>
<td>159</td>
<td>Lounge seating and furniture, Vilseck Health Clinic Addition/Alteration, Phase 1, Rose Barracks, Vilseck Germany</td>
</tr>
<tr>
<td>24</td>
<td>W912DY-14-F-0406</td>
<td>156</td>
<td>PX Pharmacy Modular Medical Casework, Fort Gordon, Georgia</td>
</tr>
<tr>
<td>25</td>
<td>W912DY-14-F-0302</td>
<td>1,113</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Naples, Italy, various buildings</td>
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<tr>
<td>26</td>
<td>W912DY-14-F-0484</td>
<td>578</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Gordon, Georgia, building 25715</td>
</tr>
<tr>
<td>27</td>
<td>W912DY-14-F-0370</td>
<td>315</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Irwin, California, building 255</td>
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<tr>
<td>28</td>
<td>W912DY-14-F-0424</td>
<td>280</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Administration, Fort Benning, Georgia, building 36 caseworks &amp; ancillary items</td>
</tr>
<tr>
<td>29</td>
<td>W912DY-14-F-0473</td>
<td>279</td>
<td>Fort Belvoir Community Hospital Cisco software and hardware maintenance support</td>
</tr>
<tr>
<td>30</td>
<td>W912DY-14-F-0034</td>
<td>269</td>
<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Fort Eustis, Virginia, aviation training facility, building 27513</td>
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</table>
General Services Administration Federal Supply Schedule Orders Reviewed (cont’d)

<table>
<thead>
<tr>
<th>GSA FSS Order Number</th>
<th>Order Amount* (in thousands)</th>
<th>Description of Supplies Purchased</th>
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</thead>
<tbody>
<tr>
<td>W912DY-14-F-0297</td>
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<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Yongsan, Korea, building T-1750</td>
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<tr>
<td>W912DY-15-F-0012</td>
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<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Boeblingen, Germany, elementary school (library furnishings)</td>
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<tr>
<td>W912DY-14-F-0430</td>
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<td>Furnishings, services, and shipping in support of the Huntsville Center Centrally Managed Furnishings Program for Navy, Pearl Harbor, Hawaii, various buildings</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,650</strong></td>
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</table>

* Amounts are rounded.
# Appendix C

## Orders With Inadequate Price Reasonableness Determinations

<table>
<thead>
<tr>
<th>#</th>
<th>GSA FSS Order Number</th>
<th>Order Amount* (in thousands)</th>
<th>Use of Quotes Eliminated for Technical Reasons</th>
<th>Use of Inadequate IGEs</th>
<th>Price Reasonableness Determinations Approved After Award</th>
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<td>1</td>
<td>W912DY-14-F-0479</td>
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<td>3</td>
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<td>W912DY-14-F-0377</td>
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<td></td>
<td>x</td>
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<tr>
<td>14</td>
<td>W912DY-15-F-0029</td>
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<tr>
<td>18</td>
<td>W912DY-14-F-0302</td>
<td>1,113</td>
<td>X</td>
<td>X</td>
<td>X</td>
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<td>19</td>
<td>W912DY-14-F-0484</td>
<td>578</td>
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</tr>
<tr>
<td>20</td>
<td>W912DY-14-F-0370</td>
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Orders With Inadequate Price Reasonableness Determinations (cont’d)

<table>
<thead>
<tr>
<th>GSA FSS Order Number</th>
<th>Order Amount* (in thousands)</th>
<th>Use of Quotes Eliminated for Technical Reasons</th>
<th>Use of Inadequate IGEs</th>
<th>Price Reasonableness Determinations Approved After Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>21</td>
<td>W912DY-14-F-0424</td>
<td>280</td>
<td>X</td>
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<td>22</td>
<td>W912DY-14-F-0473</td>
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<td>23</td>
<td>W912DY-14-F-0034</td>
<td>269</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>24</td>
<td>W912DY-14-F-0297</td>
<td>248</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>25</td>
<td>W912DY-15-F-0012</td>
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</tr>
<tr>
<td>26</td>
<td>W912DY-14-F-0430</td>
<td>208</td>
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<td>Totals</td>
<td>21 W912DY-14-F-0424</td>
<td>$10,471</td>
<td>7</td>
<td>25</td>
</tr>
</tbody>
</table>

* Amounts are rounded.
MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE, 4800 MARK CENTER DRIVE, ALEXANDRIA, VIRGINIA 22350-1500

SUBJECT: DoDIG Draft Report: GSA Federal Supply Schedules for Purchases of Supplies Project (D2015-D000CF-0207.000)

1. Reference DoDIG Draft Report, same subject as above.

2. Attached is the USACE reply to the subject draft report. HQ USACE partially concurs with recommendation 1a and concurs with recommendations 1b, and 1c contained within DODIG’s draft report.

3. If you have additional questions, please contact [REDACTED] at [REDACTED] or via email at [REDACTED].

FOR THE COMMANDER:

[REDACTED]
Deputy Chief
Office of Internal Review
MEMORANDUM FOR Program Director, Contract Management and Payments, Office of the Inspector General, Department of Defense


1. This Memorandum responds to the subject report issued on 12 February 2016. The responses in this memorandum are in response to the recommendations addressed to the Commander, U.S. Army Engineering and Support Center, Huntsville:


      (1) DoDIG Draft Report Recommendation: We recommend that the Commander, U.S. Army Engineering and Support Center, Huntsville provide refresher training on contracting officers’ responsibilities for developing, reviewing and approving independent Government estimates, and document completion of the training.

      (2) US Army Engineering and Support Center, Huntsville Response to Draft Report Recommendation: Partially Concur: Contracting Officers (Procuring Contracting Officers and Administrative Contracting Officers) do not develop or approve IGEs. PCO/ACOs review and ensure they understand the basis of IGEs. USACE instruction letter 2012-03-R1 specifically states the "IGE approver shall not be the PCO or ACO for the acquisition, but shall be a person who is competent in judging the validity of the IGE." The development and approval of the IGE are independent from the acquisition approval authority to ensure checks and balances. The IGE is approved at least one level above of the preparer by the requiring activity as another check and balance. The PCO/ACO obligation is to read and assess if the IGE provides clear, relevant and complete information/narrative with detail commensurate to the action. CEHNC agrees that any IGE that does not meet the needs of the PCO/ACO be returned to the IGE preparer for additional information and clarifications as required.

      (3) The refresher training on the need to review and assess the adequacy of the basis for the IGE will be provided at multiple forums including March 2016 CT Town Hall and PCO/ACO quarterly training also in March 2016. This will also be
CEHNC-Z
SUBJECT: Response to Department of Defense Office of Inspector General Draft Report, GSA Federal Supply Schedules for Purchases of Supplies, (Project No. D2015-D000CF-D0207.000) dated 12 February 2018

address at an upcoming PDT University so Project Managers can communicate with the requiring activity on the need for the appropriate basis for the IGE. An attendance roster will be kept for each forum.


(1) DoDIG Draft Report Recommendation: We recommend that the Commander, U.S. Army Huntsville Engineering and Support Center, Huntsville, develop, and implement guidance requiring contracting personnel to verify that the prices from quotes eliminated for technical reasons are valid for comparison purposes when making price reasonableness determinations.

(2) U.S. Army Engineering and Support Center, Huntsville Response to Draft Report Recommendation: CONCUR. When technical proposal are rejected the price analysis will include any rationale for including those proposals found technically unacceptable in the price analysis. The two are evaluated separately so the initial price analysis will include all offers. Once the price and technical evaluations are reviewed by the Source Selection Advisory Committee and/or the Source Selection Authority the decision will be made whether or not the pricing of those proposal found technically unacceptable still has merit for price analysis. This will be documented. The refresher training on the need to document the decision to include the price of non-technically acceptable proposals in the price analysis will be provided at multiple forums including March 2016 CT Town Hall and PCO/ACO quarterly training also in March 2016. An attendance roster will be kept for each forum.

c. DoDIG Draft Report, recommendation 1c, page 8.

(1) DoDIG Draft Report Recommendation: We recommend that the Commander, U.S. Army Engineering and Support Center, Huntsville develop and implement guidance requiring contracting personnel to approve price reasonableness determinations before awarding orders.

(2) U.S. Army Engineering and Support Center, Huntsville Response to Draft Report Recommendation: CONCUR with a request for wording change. The Contracting Directorate will conduct refresher training for PCO/ACO to ensure that they make a determination of fair and reasonable price and document their determination in the contract file. The PCO/ACO determines rather than "approves". The KO makes the determination of the proposed prices using FAR 15.404-1 techniques as appropriate.
Department of the Army Comments (cont’d)

CEHNC-Z

(3) The refresher training on documenting fair and reasonable pricing will be provided at multiple forums including March 2016 CT Town Hall and PCO/ACO quarterly training also in March 2016. An attendance roster will be kept for each forum.

[Signature]
ROBERT J. RUCH
Colonel, EN
COMMANDING
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>CEHNC</td>
<td>U.S. Army Engineering and Support Center, Huntsville</td>
</tr>
<tr>
<td>FAR</td>
<td>Federal Acquisition Regulation</td>
</tr>
<tr>
<td>FPDS-NG</td>
<td>Federal Procurement Data System-Next Generation</td>
</tr>
<tr>
<td>FSS</td>
<td>Federal Supply Schedules</td>
</tr>
<tr>
<td>GSA</td>
<td>General Services Administration</td>
</tr>
<tr>
<td>IGE</td>
<td>Independent Government Estimate</td>
</tr>
<tr>
<td>USACE</td>
<td>U.S. Army Corps of Engineers</td>
</tr>
</tbody>
</table>
The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, visit www.dodig.mil/programs/whistleblower.