

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
REPORT NUMBER A040252/F/A/V05002**

Audit Manager's Letter



U.S. GENERAL SERVICES ADMINISTRATION
Office of Inspector General

Date: September 29, 2005

Reply to: Deputy Assistant Inspector General for
Attn of: Acquisition Audits (JA-A)

Subject: Audit of FSS's Contractor Assessment Initiative (CAI)
Report Number A040252/F/A/V05002

To: Barbara L. Shelton
Acting Commissioner
Federal Supply Service (F)

This report presents the results of our review of the Federal Supply Service's (FSS) Contractor Assessment Initiative (CAI) - Report Card. We concluded that the Report Card is an effectively designed tool to assist FSS contracting personnel in making sound contracting decisions and promotes contractor performance improvement. However, based upon our review, more can be done to improve the tool. The Report Card effectiveness would be greatly enhanced with improvements to its content, format, guidance, usage practices, and completion process.

If you have any questions regarding this report, please contact Kenneth L. Crompton, Deputy Assistant Inspector General for Acquisition Audits, or me, on (703) 603-0189.

A handwritten signature in blue ink that reads "Carolyn Presley-Doss".

Carolyn Presley-Doss
Audit Manager
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EXECUTIVE SUMMARY

Purpose

Our audit addressed whether the U.S. General Services Administration (GSA), Federal Supply Service's (FSS's) Contractor Assessment Initiative (CAI) is an effective tool to measure vendor performance in the essential aspects of the contract.

Background

FSS is responsible for the Multiple Award Schedule (MAS) Program. MAS contracts are indefinite delivery, indefinite quantity contracts that are available for use by federal agencies worldwide. The Contract Management Center (FXC) within FSS created the Contractor Assessment Initiative (CAI) to assist FSS personnel in making decisions about exercising contract options and awarding additional contracts. There are three components to CAI: the Administrative Report Card, the formal customer satisfaction surveys and the informal customer satisfaction surveys. Currently the Report Card is the only component that has been implemented.

The Report Card currently has 27 questions addressing numerous contractual and non-contractual requirements. The Report Card is completed through information gathered by Industrial Operations Analysts (IOAs) during Contractor Assistance Visits (CAVs) and through input from the Administrative Contracting Officers (ACOs). The CAV is an opportunity for the IOA to have face-to-face contact with the contractor to evaluate the contractor's performance.

Each year a CAV Plan is developed to assist IOAs in scheduling CAVs with contractors. Contracts on the CAV Plan are placed into one of four categories (expiring, midterm, new and zone-determined). Expiring and midterm contracts will receive a Report Card at the end and midterm points of the contract respectively, however, new contracts will not receive a Report Card. Contracts newer than 2 years do not have sufficient history to be fairly evaluated. Visits that are categorized as zone-determined will only receive a Report Card when deemed appropriate.

The Report Card has gone through several revisions since the inception of the CAI. Currently FXC is designing a Draft Report Card, which is scheduled for implementation for fiscal year (FY) 2006.

Results in Brief

We reviewed the current Report Card content and format to determine if it properly evaluated contractors. We found that the current Report Card's format and content affects the reliability of the contractor performance rating and also does not address several key contractual issues. During interviews with IOAs and ACOs, we observed problems with the methods used to complete the Report Card.

We also determined that the IOAs and ACOs are not given adequate instructions regarding the scope of their review and that there is a lack of guidance regarding following-up with contractors concerning Report Card shortcomings.

During the course of the audit, we examined the availability of the Report Card for PCOs to use when exercising an option. Our analysis revealed that foreign contractors are not being held to the same standards as their domestic counterparts. Only a small percentage of foreign contractors were visited and had a Report Card produced during FY 2004. We also identified that Report Cards for expiring contracts are not available for the PCO to use when making an extension determination.

During interviews with PCOs, we determined that some users were unaware of the Report Card and not using it when deciding whether to exercise an option. This lack of awareness existed at the two Acquisition Centers with the most sales.

We commend FXC for their effort in creating the Draft Report Card to address issues with the current Report Card. Modifications were made to the content and format of the current Report Card to address our concerns. However, we have additional concerns with the Draft Report Card's format and content. Specifically with the weighting system, the specific weight of a question, changes made to a question's answer selections, missing contractual requirements and the inclusion of questions not calculated into the final rating.

Although there can be improvements to the current and Draft Report Card's format and content, the tool itself is effective in accomplishing the goals set out by FXC. Additional improvements need to be made to the guidance provided to the IOAs, ACOs and PCOs as well as to the processes of using and completing the Report Card. These changes will greatly enhance the value of the CASI.

Recommendations

We recommend that the Acting Commissioner of the Federal Supply Service:

1. Review the Report Card content to ensure that all significant contractual areas are included on the Report Card.
2. Integrate a rating and weighting system that fairly evaluates the contractors' performance and promotes contractor improvement.
3. Provide detailed guidance on how to acquire the necessary information for formulation of the Report Card and follow-up procedures on contractor deficiencies.
4. Institute a directive that contracting officers use the Report Card.
5. Incorporate supervisory oversight to ensure timely and accurate completion of Report Cards.
6. Consider expanding the performance measures to include tracking contractor performance improvement and annual percentage increases in the number of Report Cards completed with emphasis on expiring contracts.

Management Response

Management generally concurs with the recommendations.

INTRODUCTION

Background

The U.S. General Services Administration (GSA), Federal Supply Service (FSS), is responsible for the Multiple Award Schedules (MAS) Program. Through the MAS Program, GSA establishes long-term governmentwide contracts with commercial firms to provide access to over 6.8 million commercial supplies and services that customer agencies can order directly from GSA Schedule contractors.

The Office of Acquisition Management (FX) was created in April 2003 to provide centralized acquisition guidance and support to FSS Business Line customers. The FSS organization modified their operations, in that; each program office is responsible for the acquisition function associated with its respective programs. The Contract Management Center (FXC) is one of the three Centers that comprise the Office of Acquisition Management. FXC has undertaken the initiative of contractor performance assessment to increase the value of the MAS program to its customers. This effort is known as the Contractor Assessment Initiative (CAI).

As a part of CAI, contractors are evaluated in four major performance areas: quality, cost, schedule (timeliness) and business relations. Evaluations are in conformance with Government-wide requirements of the Office of Federal Procurement Policy. This initiative assists GSA acquisition activities, specifically; Procuring Contracting Officers (PCOs) and Contract Specialists in making better-informed decisions about exercising contract options and awarding additional contracts. MAS contractors will benefit by having their high-quality performance on record.

The CAI concept is divided into three components: the administrative compliance analysis (Contractor Administrative Report Card), formal customer satisfaction surveys and informal customer satisfaction feedback (Customer Dialogue). The Administrative Report Card was designed to measure contractor compliance with the administrative requirements of the contract with the primary audience being FSS personnel. The Report Card was implemented in fiscal year 2003 and currently addresses 27 specific compliance areas. The Customer Dialogue component has not been implemented. If and when implemented, it will provide the Federal community with customer feedback from previous buyers of supplies and services through the MAS program. The formal survey will include a review of the 20 most recent Schedule customers of the contractor. An independent firm will survey these customers and post the results on GSA Advantage! after the contractor has had a chance to review the surveys. The informal customer satisfaction feedback is intended to collect informal, ad hoc feedback from MAS customers regarding contractor performance. This information will be made available to customers in the Federal community for their use in conducting market research or making best value determinations.

FXC's top priority, helping contractors succeed, moved forward under the CAI program. The overall objective of this program is to improve contractor performance by documenting contractor performance, highlighting weaknesses, recognizing contractors who provide outstanding service to the Government and analyzing program-wide trends. The Contractor Assistance Visit (CAV) is a backbone of Contract Management operations. These contractor visits provide a face-to-face interaction between FSS Schedule contractors and Industrial

Operations Analysts (IOAs). Upon completion of a CAV, the IOA will complete a CAV report and the information is extracted and included on the Report Card. The Report Card is also based on the Administrative Contracting Officer's (ACOs) input. The IOAs and ACOs are located in one of four Contract Management Divisions (CMDs): Atlanta, Chicago, Boston and San Francisco.

With close to 17,000 Schedule contracts and limited resources it is impossible to visit each contractor every year. Therefore, Contract Management develops a specific Fiscal Year Visit Plan known as the CAV Plan, which supports their core operations and initiative agenda. Contracts on the CAV Plan are segregated into four categories, i.e., expiring, mid-term, new, and zone-determined. The CAV for expiring contracts are typically conducted in the first half of the last year of the contract performance period and the CAV for mid-term contracts is completed at the mid-point of a contract term. CAVs for new contracts are typically conducted within six months of contract award but will not result in a Report Card. Contracts newer than two years do not have sufficient history to be fairly evaluated. Visits categorized as zone-determined are decided by the Contract Management Center during the fiscal year.

Since inception of the CASI, the Administrative Report Card has undergone several revisions. See Appendix A for the Report Card currently used, and Appendix B for the Draft Report Card. The Draft Report Card is scheduled for implementation for Fiscal Year (FY) 2006 after FXC has approved it for distribution.

Objective, Scope, and Methodology

Our objectives were to address the following questions:

Is the Report Card component of the Contractor Assessment Initiative an effective tool to measure vendor performance in the essential aspects of the contract? Is the Report Card effectively completed and used to measure contractor performance?

- Does the Report Card adequately evaluate all essential aspects of the contractor performance?
- Does the Report Card meet stakeholders (PCO, contractors and ordering agencies) needs for decision-making purposes?
- Does the Report Card evaluate contractors' compliance with administrative requirements of the contract?

Management requested our office to opine on both the Administrative Report Card and the Customer Dialogue Component of CASI. We realize that access to recent performance data will assist Federal agencies in directing their acquisitions to firms that are providing exceptional support to the Government. However, we have concerns regarding the ramifications involved with releasing raw data to customer agencies. We suggest that FXC work with GSA's legal counsel to make a determination of the steps necessary to safely execute this component of CASI. As such, our review was limited to the Administrative Report Card.

To accomplish the audit objectives, we reviewed relevant GSA policies and procedures; applicable Federal Acquisition Regulations (FARs) and Procurement Information Bulletins (PIBs); the current Administrative Report Card and the Draft Report Card; FSS Acquisition Letter - Evergreen Contracting for Multiple Award Schedule Contracts; GSA Federal Supply Service Contract Management Center (FXC) - Business Plan FY 2004; CASI IOA/ACO Desk

Guide, Version 3; Introductory Letter to Contractors, October 15, 2002, Introductory Brochure, October 2002; Office of Contract Management 2002 Annual Report; Office of Contract Management July 2002 Quarterly Report, and audit reports issued by the GSA-OIG. We attained a working knowledge of FSS Online, an information system developed by FSS's Office of the Chief Information Officer (FI) for use by various divisions within FSS.

Our review was conducted in the FSS's Office of Acquisition Management and Office of Commercial Acquisition. Further we met with IOAs and ACOs from the four CMDs. Additionally, our review included interviews with PCOs and Contract Specialists in five of the seven Acquisition Centers. The Acquisition Centers in which these interviews took place were: the Information Technology Acquisition Center, the Management Services Center, the General Products Center, the Services Acquisition Center and the National Furniture Center. While our emphasis was on the Administrative Report Card, we also familiarized ourselves with the CAV process. The audit was performed between September 2004 and June 2005 in accordance with generally accepted government auditing standards.

RESULTS OF AUDIT

The Report Card is an effectively designed tool to assist FSS contracting personnel in making sound decisions about exercising contract options and reviewing new proposals from established Schedule contractors. The Report Card also promotes contractor performance improvement by conveying to contractors what steps they must take to be successful. However, our observations disclosed shortcomings that have a direct impact on the usefulness of the Report Card. Based on the varying completion methods, the Report Card may not yield a reliable evaluation of contractor's performance and does not include several essential contract compliance issues. There is insufficient guidance on the proper methods to complete the Report Card and a lack of guidance for following-up with the contractors regarding their Report Card inadequacies. Also affecting the value of CASI is the lack of Report Card availability and user awareness of the initiative. Prior to and in conjunction with our review, FXC has identified and revised some of the Report Card shortcomings; namely, content, format, weighting of questions, and the rating system. Although these revisions to the Report Card are an improvement over the current Report Card, the Report Card continues to have formatting problems and is missing additional administrative contractual requirement questions. Modifications to the Report Card's content, format, guidance, and the completion and usage processes will increase the effectiveness of the CASI.

Current Report Card

The current Report Card effectively measures vendors' compliance with the MAS contract. Nonetheless, modifying its rating methodology, in particularly the rating categories, would enhance the Report Card's value. Assigning weights to the questions would add emphasis to critical items on the Report Card. The current answer selections do not afford the IOA the opportunity to fully explain extenuating circumstances encountered during the CAV, and adding three additional topics would strengthen the Report Card's content.

Current Report Card Format - Rating Methodology

There are both contractual and non-contractual questions on the Report Card. The contractual questions address both significant and less-important contractual items. Nevertheless, the current format allows each question to be weighted equally. Conceptually, a contractor could have contractual deficiencies and receive a successful rating, as would a contractor with deficiencies in non-contractual areas if the rating is based only on the number of questions answered correctly. Allowing each question to be weighted the same diminishes the value of the rating. The following chart demonstrates the rating scale.

<u>Rating Categories</u>	<u>Number of questions receiving a "Positive Response"¹</u>
Outstanding	27
Successful	22-26
Unsuccessful	21 or fewer

Additional rating categories and a weighting system would allow a more precise assessment of contractor performance and would emphasize the critical contract requirements and identify contractors with contractual performance shortcomings.

¹ A "yes," "N/A," "Not Delegated" response to a Report Card question is considered a "Positive Response."

Current Report Card Format – Answer Selection

While reviewing the Report Card, we observed a contractual question that does not have “Not Applicable”(N/A) as an answer selection. We reviewed thirteen Unsuccessful Report Cards, of which three contractors receiving a “Negative Response”² on the “on-time delivery” question would have been rated successful had the “N/A” option been available. Forcing an IOA to choose between a “yes” and “no” answer when neither is correct could have an adverse impact on the overall performance rating. Having accurate answer choices available allows the Report Card to reflect the true performance of the contractor.

Additionally, in some instances where there is a “N/A” answer choice and/or the question receives a “no” response, the Report Card does not allow for an explanation beyond the pop-up window that contains standardized responses provided by the CAV application. The PCO may not fully understand the circumstances surrounding a “N/A” or “no” response when evaluating an option, which could lead to an uninformed decision. An explanation for “N/A” and “no” responses would provide an additional level of detail for the end-user.

Current Report Card Content

During our review, we identified three significant contractual issues that are not included in the current Report Card:

- Basis of Award
- Minimum sales requirement
- Contractor's sales tracking and reporting system and complete sales records

Basis of Award

During our analysis of the Report Card, we ascertained that contractors' records are not reviewed to determine if the government is charged the same price as the basis of award customer or category of customers. Specifically, the General Services Acquisition Manual (GSAM) 552.238-75 Price Reductions states,

- (a) Before award of a contract, the Contracting Officer and the Offeror will agree upon (1) the customer (or category of customers) which will be the basis of award, and (2) the Government's price or discount relationship to the identified customer (or category of customers). This relationship shall be maintained throughout the contract period. Any change in the Contractor's commercial pricing or discount arrangement applicable to the identified customer (or category of customers) which disturbs this relationship shall constitute a price reduction.

Developing a methodology to determine if the relationship between the government and the basis of award customer or category of customers is maintained will ensure that the contractor is complying with the Price Reductions Clause.

² A “no” response to a Report Card question is considered a “Negative Response.”

Minimum sales requirements

Another contractual issue not addressed is the minimum sales requirement. Since there are significant government costs associated with every contract, the contracting officer must review the sales data and determine whether the amount of the contractor's sales justify the expense of exercising the option as well as the continued administration of the contract. Sales below \$25,000 could indicate that the contractor is not marketing the product or service, the contractor is not reporting all sales, or there is no longer a demand for this product or service. Any or all of these may indicate that exercising an option is not a sound business decision. Reviewing the minimum sales data would help the contracting officer determine whether or not it is in the best interest of the Government to exercise the option under the presence of low sales.

Contractor's sales tracking and reporting system and complete sales records

During the CAV, the IOA reviews the contractors' sales tracking and reporting system to validate that the contractor is correctly identifying and reporting all MAS sales and remitting the associated Industrial Funding Fee (IFF) to GSA. Additionally during the CAV, the IOA is instructed to determine if the contractor's sales records are complete. Although the adequacy of the contractor's sales tracking and reporting system and the completeness of sales records are reviewed during the CAV, these questions are not included on the Report Card. Including the results of the review on the Report Card would ensure the contracting officer is aware of a critical issue concerning the validity of sales reporting and the related IFF payment.

FXC has addressed some of the above concerns with the current Report Card through proposed revisions in a draft format. We commend FXC for their proposed changes, in particular, the addition of a weight system as well as additional rating categories. Additionally, questions have been included on the Draft Report Card to address the minimum sales requirement issue and the adequacy of the contractor's sales and tracking system. However, we observed that the basis of award issue is not on the Draft Report Card. In addition, the opportunity to explain "N/A" and "no" answers remains unchanged and the proper answer choices are still not available for the on-time delivery question. Based on our analysis of the Draft Report Card, we are satisfied with most of the proposed revisions; however, these revisions and the areas we identified above need to be fully implemented in the next Report Card to enhance the value of the tool.

Guidance

The Desk Guide is a helpful tool that the IOAs and ACOs rely upon when completing the Report Card. The Desk Guide's usefulness would be greater with improvements in the following areas: (1) past performance review period, (2) definitions and/or instructions for several areas and (3) follow-up roles and responsibilities.

Desk Guide – reviewing past performance

The Desk Guide instructs ACOs to review the last five years of the contractor's on-time performance regarding Multiple Award Schedule Sales Reporting and IFF submission. Depending on the length of time a contract has been in existence, these instructions may conflict with the Federal Acquisition Regulation (FAR) requirements regarding past performance review after the contract completion cut-off. The Federal Acquisition Regulation Subpart 42.1503(e) states,

The past performance information shall not be retained to provide source selection information for longer than three years after completion of contract performance.

Since the Report Card is a review of past performance, the IOAs and ACOs must be mindful of the FAR requirements when completing all Report Card questions. Adding explicit language to the Desk Guide regarding the appropriate period of review will help reinforce the FAR requirements.

Desk Guide – vagueness

The Desk Guide lacked instructions and/or definitions as it pertains to various Report Card questions. The Desk Guide does not recommend sampling techniques to be used when reviewing the contractors' performance nor does it clearly define "Excusable delays" for on-time deliveries and "Promptly and Efficiently" when determining if warranty claims are properly processed. Additionally, the Desk Guide does not advise IOAs how to determine if contractors accept purchase cards. Without clear and precise guidelines, each IOA is left to interpret the instructions. Depending on how the instructions are interpreted, each contractor is subjected to different criteria depending on the IOA. Providing additional instructions and definitions in the Desk Guide will allow the IOA to make consistent and objective observations about contractor performance.

Follow-up Guidance

After interviewing PCOs, IOAs and ACOs we determined that there is no collective guidance identifying roles and responsibilities for following-up on contractors' deficiencies identified during the CAV and reflected on the Report Card. As a result, follow-up on Report Card deficiencies is minimal. On-going communication with contractors regarding deficiencies will strengthen the contractors' performance thus increasing the value of the MAS program to their customers. Establishing collective guidance will promote consistent follow-up practices nationwide of each contractor and facilitate contractor improvement.

Adherence to Established Guidelines

During our review of the CASI Report Card, we observed that the IOAs and ACOs generally adhere to established guidelines. However, stricter adherence to the guidelines would increase the reliability of the Report Card rating.

Reviewing proper documents

To determine if the contractor is using the current approved pricelist, the Desk Guide instructs the IOA to obtain the latest pricelist from the PCO prior to the CAV. However, when we accompanied six IOAs on CAVs we observed that all six relied on a pricelist provided on site by the contractor. By relying on the contractor's pricelist, the IOA may not detect if the prices, terms and conditions charged to the customer agencies disagree with the approved pricelist. Obtaining the pricelist, contract and modifications independent of the contractor will ensure the IOAs are using the most current contract and modifications when evaluating the contractor.

Use of Improper and Illogical Data

During our review we examined twelve contracts in existence for more than five years that according to the Report Card failed to report sales and IFF payments timely. Fifty-eight percent

of those examined were completed using more than the twenty-quarters maximum outlined in the Desk Guide. When ACOs exceed the five-year guideline, this may result in a conflict with the FAR Subpart 42.1503(e).

Additionally, we selected 13 contracts that had multiple Report Cards on record and compared each Report Card in the set to the other Report Cards in the set. Out of the thirteen sets of Report Cards, there were four sets (thirty percent) in which inconsistencies were found between the Report Cards. When comparing the Report Cards, we observed four instances where either illogical data was used to answer the “timely submission of IFF payments and report of sales” questions or the results disagreed with the prior Report Card. Conflicting results may negate the value of the Report Card and/or reduce reliance on the document. Periodic supervisory reviews of the completed Report Cards may improve the quality and reliability of the Report Card.

IOA Inconsistencies When Completing the Report Card

We accompanied six IOAs on CAVs and conducted extensive interviews with the IOAs following the CAVs to observe the methodology utilized to complete the Report Card questions. Variations existed with regard to how they review, test and verify various contract compliance issues. We are concerned about the lack of a methodology to complete certain Report Card questions although guidance is given in the Desk Guide. The specific questions address:

- Determining contractor compliance with the Economic Price Adjustment (EPA) clause
- Verifying dealers’ sales are made at Schedule prices

IOA practices suggested either a lack of awareness of established practices, a disregard for established practices, and/or a lack of understanding. Periodic training and refresher sessions may eliminate any misunderstandings IOAs could have pertaining to methodologies used to complete the Report Card.

Report Card Availability

We reviewed whether the Report Card was available for use by contractors, PCOs and Contract Specialists. In FY 2004, most mid-term contracts received Report Cards. Conversely, most foreign contractors did not receive Report Cards, and many contracts that were close to expiration did not have a recent Report Card.

Foreign Contractors

During the course of the audit, FXC requested that we examine the degree of risk associated with not conducting CAVs or completing Report Cards for foreign contractors.

Our analysis showed that as of September 30, 2004, there are 239 foreign contractors of which 34 percent were scheduled for a CAV during FY 2004. Five percent of those scheduled were visited with two percent receiving a Report Card. We ascertained that 68 percent are located in Canada. Considering that the majority of the foreign contractors are in Canada, exorbitant costs should not be a deterring factor. Our primary concern is foreign contractors are not subjected to the same level of review as the domestic contractors. The CAV and the subsequent issuance of a Report Card to foreign contractors will hold them to the same standards as their domestic counterparts. Although there may be additional costs and resources associated with visiting foreign contractors, it would be beneficial for improving contractor performance and providing an

additional tool for the PCO during the option extension process. FXC recognized this to be a shortcoming, and has taken action by requesting funds in the FY 2006 budget for visits to MAS foreign contractors.

Scheduled Contractors

After reviewing the CAV Plan, we determined that all expiring contracts on the CAV Plan should be visited six months to one year prior to the expiration date so the Report Card will be available to the PCO during the option extension process. As per FSS Acquisition Letter FX-00-3, the PCOs start their consideration to exercise an option 150 days prior to the contract end date. As part of our review, we analyzed the 2004 CAV Plan to determine if expiring contracts were being completed within this designated period.

Of the 1,063 expiring contracts we analyzed, 100 contracts did not have a Report Card on record and 393 were completed outside the six-month-to-one-year window. Therefore, 46 percent of the expiring contracts did not have a Report Card completed for the period in which the PCO can make an extension decision. FXC expressed a willingness to accept CAVs and the subsequent Report Card completed three to fifteen months from the contract expiration date. We are concerned that this less stringent window will allow the PCO to make a determination of option extension without the benefit of a current Report Card. To ensure that current past performance information is readily available to the PCO while making an extension determination, the Report Card should be completed within a useful timeframe.

Report Card Usage

The majority of PCOs and Contract Specialists we interviewed used the Report Card as an evaluation instrument when considering whether or not to exercise an option. Nevertheless, PCOs and Contract Specialists' utilization did not allow the Report Card to reach its fullest potential as a contractor assessment tool.

As part of our review, we interviewed PCOs and Contract Specialists from five Acquisition Centers having the largest amount of Schedule sales for FY 2004 as reported in the 72A sales database. During our discussions, we established that 36 percent of those interviewed did not use the Report Card when determining whether to exercise an option. Of those PCOs/Contract Specialists who did not use the Report Card, 80 percent were unaware of the Report Card. This lack of awareness was at the two Acquisition Centers with the most sales. In September 2003, FXC provided CASI training to the PCOs. The training outlined the objectives of the CASI, provided background of the initiative and explained how to retrieve a Report Card from FSS Online. Additionally, the FSS Acquisition Letter FX-00-3 lists the Report Card as a source of data for the PCO to use when evaluating a contractor's performance. Considering the effort FXC has made to implement this initiative, we have a concern regarding the lack of awareness at the Acquisition Centers.

Proposed Revisions to the Report Card - Draft Report Card

In the Draft Report Card, FXC has taken steps to address some of our concerns regarding the Report Card. In spite of these positive measures, we are apprehensive about the Draft Report Card's rating criteria and categorization of some its questions.

Draft Report Card Rating Criteria

After reviewing the Draft Report Card, we have concerns regarding its rating criteria and categorization. The Draft Report Card is formatted to include three categories. Within those categories, there are groups of questions that examine different contractual items. Category 1 items are deemed critical, Category 2 items - mandatory, but not critical, and Category 3 includes non-mandatory items. The rating system is calculated as follows:

- Exceptional rating - Applicable questions in all three categories must be met.
- Very Good rating - All questions in Category 1 and 2 must be met.
- Satisfactory rating - All Category 1 questions and missing one Category 2 item.
- Marginal rating - All Category 1 questions and missing two Category 2 items.
- Unsatisfactory rating - Failure to meet any one question in Category 1 or three or more in Category 2.

Although the rating system was modified to include five ratings, we are concerned that the criteria for an exceptional rating are too rigid. In this proposed environment, contractors would have to receive a “yes” answer to all questions on the Report Card in all three categories to receive an exceptional rating. Although Category 3 items are non-mandatory, they enhance the performance of contractors. With the current structure, the contractor is facing an all or nothing scenario that may be discouraging to the contractor. Giving credit for these non-mandatory areas may encourage contractors to strive for excellence.

Also, the Draft Report Card question regarding “scope” limits the IOA to a “yes” or “no” without an option to select “N/A”. Depending on the circumstances, a “yes” or “no” answer may not accurately reflect the contractor’s performance. Including the “N/A” option would allow the IOA to properly answer the question for a contractor with zero sales.

Draft Report Card Categorization

The Draft Report Card is formatted such that Category 1 questions have the most weight, while Category 3 questions are weighted the least. The Draft Report Card incorrectly categorizes a question, which directly impacts the weight of the question. The question addresses the minimum sales requirement, which states that contracts with less than \$25,000 in annual sales are subject to cancellation. This question is currently included in Category 2; however, we consider this a critical contractual requirement since a contract can be canceled based on a low level of annual sales. Re-categorizing the question to Category 1 would give the question more weight.

Another concern we have with the Draft Report Card is the inclusion of questions that are contingent upon the answer to another question. The question concerning the contractor’s sales tracking system has three parts. The first part questions the existence of a system that identifies, tracks and reports GSA sales accurately and completely. Based on the answer to this question, two more follow-up questions, which are not calculated in the rating determination, are asked. These questions include whether contractor sales records match GSA reported sales and whether dealer sales are being collected in the contractor’s system. This format precludes all contractors from being subjected to the same questions. Based on our review of the questions, we consider each question valuable and should therefore be asked separately.

Thus, each contractor will be asked the same questions regardless of the answer to other questions.

Performance Measures

FXCs FY 2005 Performance Measures included one measure directly related to the Report Card - the number of Report Cards completed. However, the Performance Measures would be more relevant if they also tracked contractor improvement and the percentage of Report Cards completed in the critical expiring category. According to management, although FXC does not complete Reports Cards, the support that FXC provides to IOAs and ACOs (e.g., training, technical, administrative support, etc.) has an impact on the number of Reports Cards completed. The number of Report Cards completed during the prior FY becomes the target for the next year. However, since additional questions were added to the Report Card in September 2004, FXC anticipated the CAVs taking longer to complete and having a direct impact on the number of Report Cards that will be completed during FY 2005. Hence, the FY 2005 target of 3,877 Reports Cards is lower than the 4,322 Report Cards completed in FY 2004. In addition to the number of Report Cards completed, tracking and measuring contractor improvement or declination would give more attention to the CASI mission, i.e., improve contractor performance which directly impacts the value of the MAS Program.

In addition to measuring the total number of Report Cards completed, we believe it would be beneficial to measure the number of Report Cards completed by the CAV Plan categories, i.e., expiring, mid-term, new, and zone-determined. During FY 04, Report Cards were completed for 71 percent of the mid-term contracts. We commend the IOAs and ACOs for completing such a large percentage of mid-term reviews. However, 46 percent of the expiring contracts did not have a Report Card completed for the period in which the PCO can make an extension decision. For this reason, we would like to see the CMDs performance measures include an annual percentage increase in the number of Report Cards completed with emphasis on expiring contracts.

CONCLUSION

We commend Contract Management on the development of the Contract Assessment Initiative. It is an innovative approach to evaluating contractor performance in the essential aspects of the contract. Specifically, the CASI Report Card in and of itself is an effective tool to accomplish the mission of CASI. It provides a concise assessment for contracting officers to use when exercising contract options and awarding additional contracts as well as providing contractors critical feedback to improve performance.

However, we have concerns about the Report Card fully meeting management's expectations of assisting GSA acquisition activities. Specifically for PCOs and Contract Specialists in making better-informed decisions about exercising contract options and as a contractor performance assessment to increase the value of the MAS program to its customers. The current Report Card does not include a number of critical contractual areas and the weighting does not differentiate between mandatory and non-mandatory contractual issues. The format does not always allow for proper answer choices, which forces the selection of an incorrect answer that could have an adverse impact on the contractor rating. Additionally, the proposed revisions have very stringent rating criteria that could discourage a contractor from trying to achieve an exceptional rating.

Also, the CASI IOA/ACO Desk Guide should provide additional instructions regarding how to acquire the necessary information for formulation of the Report Card. When the Desk Guide

provides adequate guidance, some of the IOAs do not adhere to it, consequently contractors are not always measured by the same criteria. We observed that follow-up on contractor deficiencies identified in the Report Card is minimal. In many instances, a current Report Card is not available to contracting officers to use for consideration options and future awards. Finally, when a Report Card is available, its usage by contracting officers is random. The Report Card effectiveness would be greatly enhanced with improvements to its content, format, guidance, usage practices, and completion processes.

Lastly, performance measures can be intensified to ensure that resources are appropriately allocated based on CAV Plan priorities.

RECOMMENDATIONS

We recommend that the Acting Commissioner of the Federal Supply Service:

1. Review the Report Card content to ensure that all significant contractual areas are included on the Report Card.
2. Integrate a rating and weighting system that fairly evaluates the contractors' performance and promotes contractor improvement.
3. Provide detailed guidance on how to acquire the necessary information for formulation of the Report Card and follow-up procedures on contractor deficiencies.
4. Institute a directive that contracting officers use the Report Card.
5. Incorporate supervisory oversight to ensure timely and accurate completion of Report Cards.
6. Consider expanding the performance measures to include tracking contractor performance improvement and annual percentage increases in the number of Report Cards completed with emphasis on expiring contracts.

MANAGEMENT COMMENTS

Management generally concurs with the recommendations. See Appendix C for management's detailed response.

INTERNAL CONTROLS

As discussed in the Objectives, Scope, and Methodology section of this report, our audit objective focused on determining the effectiveness of the CASI Report Card. Accordingly, our scope was confined to reviewing data related to the processes and procedures used to measure contractor performance. We also reviewed the controls pertaining to the completion and usage of the Report Card. As discussed in the report, the internal controls over these processes should be strengthened.

APPENDICES

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
REPORT NUMBER A040252/F/A/V05002**

Current Report Card³

Administrative Report Card

FSS19 ONLINE

Contractor Name:
Schedule Number:

Contract Number:
Date Report Card was Created:

Requested by:
Printed Report Card Date:

RATING			
Topic	Questions	Findings	
ORDERING AGENCY CONSIDERATIONS			
Delivery	1	Based on a sample of orders, is the contractor delivering on-time an average of 95% or greater of the time?	Yes/No
Teaming Arrangements	2	If there are Teaming Arrangements, do these Arrangements address how customer service and warranty issues will be resolved?	Yes/No/NA
Blanket Purchase Agreements (BPA)	3	If the contractor has entered into BPAs, have they offered additional discounts?	Yes/No/NA
Warranty-Multiple Award Schedules	4	Is the contractor honoring the warranty terms of the contract?	Yes/No
	5	Are warranty claims being handled promptly and efficiently?	Yes/No
Ordering Information	6	Did the contractor demonstrate compliance with the Trade Agreements Act?	Yes/No/NA
	7	Did the contractor demonstrate that they comply with the scope of their contract?	Yes/No/NA
Participating Dealers	8	If there are participating dealers, are the dealers listed and current in the contract?	Yes/No/NA
	9	Is the contractor complying with Billing Responsibility clause G-FSS-913?	Yes/No/NA
PRICE LISTS and GSA ADVANTAGE!			
Price List	10	Is the pricelist being used by the contractor the current approved pricelist?	Yes/No
Economic Price Adjustment (EPA)	11	Is the contractor complying with the Economic Price Adjustment Clause of the contract?	Yes/No/NA
Modifications	12	Is the contractor being proactive in proposing to add and delete items from the contract?	Yes/No/NA
GSA Advantage!	13	Prices listed in GSA Advantage! match those on the current approved pricelist or GSA Advantage! update is in progress?	Yes/No
FINANCIAL			
Bankruptcy	14	Is the Contractor free from Bankruptcy proceedings?	Yes/No
Payment by Government Commercial Purchase Card	15	Has the contractor made arrangements to accept payment by purchase card?	Yes/No/NA
	16	Does the contractor accept purchase card payments for orders above the micro purchase threshold?	Yes/No
Report of Sales	17	In the most recent period of the contract, not to exceed five years, are the contractor's Report of Sales 95% or greater on-time?	Yes/No
Participating Dealer Sales	18	If there are dealers, are dealer sales being collected in the contractor's system and included in the 72A report?	Yes/No/NA
Industrial Funding Fee	19	For the past period of the contract, not exceeding five years, has the contractor submitted the IFF 90% or greater on-time?	Yes/No
ADMINISTRATIVE			
Novation/Change of Name	20	Has the contractor complied with Change of Name and/or Novation Agreement requirements?	Yes/No/NA
Central Contractor Registration (CCR)	21	Is the contractor registered with Central Contractor Registration (CCR)?	Yes/No
	22	Is the basic contract load information correct?	Yes/No
	23	Are the 72A Records located where the contract says they are?	Yes/No
Administrative	24	If a commercial or Individual Subcontracting Plan is required, did the contractor meet the goals specified in the Commercial Plan or is the contractor progressing toward meeting the goals specified in the Individual Subcontracting Plan?	Yes/No/ Not Delegated
	25	Is the DUNS Number correct?	Yes/No
	26	Is the contractor's Contact for Contract Administration information (address/phone/fax/email) correct?	Yes/No
	27	The contractor reduced prices to customers effective January 1, 2004, to reflect the lower (0.75%) IFF rate.	Yes/No

RATING

Please contact Administrative Contracting Officer (ACO), First Name Last Name # 123-456-7890, Email: Name.LastName@gsa.gov with any questions regarding your Administrative Report Card.

³ The Office of Audits created this replica to duplicate the original Report Card, as we were unable to obtain an electronic copy.

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
REPORT NUMBER A040252/F/A/V05002**

Proposed Revisions - Draft Report Card

CAI No.	Contractor Assessment Initiative Report Card	Answer Selection Options
Category 1		
1	Did the contractor demonstrate compliance with the scope of their contract?	Yes/No
2	Did the contractor demonstrate compliance with the Trade Agreements Act?	Yes/No/NA
3	Is the pricelist being used by the contractor the current approved pricelist?	Yes/No
4	Does the contractor have a system in place that identifies, tracks and reports GSA sales accurately and completely?	Yes/No
5	Did the contractor charge customers the contract price or lower?	Yes/No
	Do contractor sales records match GSA reported sales?	Yes/No
	If there are dealers, are dealer sales being collected in the contractor's system and included in the 72A report?	Yes/No/NA
<div style="border: 1px solid black; padding: 5px;"> The above items are deemed critical. Failure to meet any one (1) of these items will result in an UNSATISFACTORY rating. </div>		
Category 2		
6	Since the issuance of the last report card, are the contractor's Reports of Sales on time?	Yes/No
7	Since the issuance of the last report card, has the contractor remitted the Industrial Funding Fee on time?	Yes/No
8	Is the contractor up-to-date on GSA <i>Advantage!</i> ?	Yes/No
9	Is the contractor delivering timely based upon a sampling of orders?	Yes/No
10	Is the contractor honoring warranty terms of the contract?	Yes/No/CNC
11	Is the contractor capable of accepting the Governmentwide Commercial Purchase card?	Yes/No/NA
12	Is the contractor's records location and administrative representative information correct? (e.g., address, phone, fax, e-mail, etc.)	Yes/No
13	If a Commercial or Individual Subcontracting Plan is required, did the contractor meet the goals specified in the plan or is the contractor progressing toward meeting the goals specified in the plan?	Yes/No/Not Delegated
14	Since the beginning of the contract or since the issuance of the last report card (whichever is later), is the contractor free of claims?	Yes/No
15	Since the beginning of the contract or since the issuance of the last report card (whichever is later), is the contractor free of cure notices?	Yes/No
16	Is the contractor complying with the Economic Price Adjustment clause of the contract?	Yes/No/NA
17	If there are participating dealers, are the dealers listed and current in the contract pricelist and GSA <i>Advantage!</i> ?	Yes/No/NA
18	Is the contractor maintaining minimum contract sales of more than \$25,000 for the latest 12 month period?	Yes/No
<div style="border: 1px solid black; padding: 5px;"> Items in Category 2 are mandatory, but not critical. All items in the above two (2) sections must be met to receive a VERY GOOD rating. If all Category 1 items are met: failure in any one (1) item from this section will result in a SATISFACTORY rating; failure to meet two (2) items in Category 2 will result in a MARGINAL rating; and failure to meet three (3) of these items will result in an UNSATISFACTORY rating. </div>		
Category 3		
19	Is the contractor being proactive in proposing to add and delete items from the contract?	Yes/No/NA
20	Does the contractor accept credit cards over the micro-purchase threshold?	Yes/No
21	Is the contractor using all applicable e-contracting tools (e.g., e-Offer, e-Mod, Quick Mod, electronic reporting and payment)?	Yes/No
22	Does the contractor offer second tier pricing discounts on blanket purchase agreements issued against this contract?	Yes/No/NA
23	If there are contractor teaming arrangements, do these arrangements address how customer service and warranty issues will be resolved?	Yes/No/NA
24	Has the contractor complied with Change of Name and/or Novation Agreement requirements?	Yes/No/NA
25	Is the contractor free from bankruptcy proceedings?	Yes/No
<div style="border: 1px solid black; padding: 5px;"> EXCEPTIONAL rating: All applicable items from each of the three sections must be met. </div>		

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
REPORT NUMBER A040252/F/A/V05002**

FSS Response to the Draft Report



GSA Federal Supply Service

SEP 27 2005

MEMORANDUM FOR: EUGENE WASZILY
ASSISTANT INSPECTOR GENERAL
FOR AUDITING (JA)

FROM: BARBARA L. SHELTON
ACTING COMMISSIONER

SUBJECT: GSA Draft Report, "Audit of FSS's Contractor
Assessment Initiative (CAI)" (A040252), dated
August 23, 2005

At the request of the Federal Supply Service Contract Management Center (FXC), the Office of Audits conducted an audit of the Contractor Assessment Initiative (CAI) to determine if the Report Card component of the CAI is an effective tool to measure vendor performance in the essential aspects of the contracts.

The audit verified that the report card is an effectively designed tool and that it promotes contractor performance improvement. The audit also made six (6) recommendations intended to improve the program.

In general, I agree with the audit findings, which are fairly represented in the report. I found the audit to be extremely helpful, and appreciate the open communication from your office and the professionalism of your staff.

In addressing this audit, it is important to recognize the vast size of the Multiple Award Schedules (MAS) program. We are working with a universe in excess of 17,000 schedule contracts, divided amongst 43 individual schedules which span a wide array of industry groupings. In recent years, we have awarded more than 3,000 new schedule contracts per year. Addressing contractor performance issues in an audience as large and diverse as this poses a range of challenges. The Contractor Report Card was always intended to be a living document, designed to help us meet some of these challenges. The "most important performance issues" we need to address will vary over time. Some issues will be controlled or resolved, while new issues will emerge. Since inception of the Report Card, we have added three new evaluation topics (compliance with scope, trade agreements, and subcontracting), and we are currently designing the second generation report card.

U.S. General Services Administration
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Arlington, VA 20406-0003
www.gsa.gov

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
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FSS Response to the Draft Report

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Specific comments on the report recommendations are provided in the attached statement.

In closing, let me reiterate my appreciation to Kenneth Crompton, Carolyn Presley-Doss, Gary Wilson, and Lindsay Smith for the work that went into this audit. The report and its recommendations are valuable to us, and will help us do a better job managing the performance of our MAS contractors.

Attachment

cc:
Kenneth Crompton (JA-A)

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
REPORT NUMBER A040252/F/A/V05002**

FSS Response to the Draft Report

COMMENTS ON THE GSA DRAFT REPORT,
"AUDIT OF FSS'S CONTRACTOR ASSESSMENT
INITIATIVE (CAI) (A040252)

Recommendation 1:

Review the Report Card content to ensure that all significant contractual areas are included on the Report Card.

Comment:

Generally agree.

The report identified the following three significant contractual issues that are not included in the current Report Card:

:

- Sales Retention Criteria
- Sales Tracking/Reporting and Complete Sales Record
- Basis of Award

We had already planned to incorporate the Sales Retention Criteria and the Sales Tracking/Reporting and Complete Sales Record questions in the next generation report card. The audit further underscores the importance of this planned change.

Concerning the Basis of Award issue, we recognize that MAS customers rely on GSA to provide the "best price" on all contracts and our management of the contracts needs to reflect this. We are currently reviewing this recommendation to determine the best way to incorporate the issue into the Report Card. In exploring this issue, we need to look at resource requirements, training and development needs, and establishment of new operating procedures.

Recommendation 2:

Integrate a rating and weighting system that fairly evaluates the contractor's performance and promotes contractor improvement.

Comment

Agree.

The draft second generation Report Card includes a move to a five tier rating structure along with a revised weighting system that will emphasize compliance with key contractual requirements. I believe the proposed five tier rating structure and weighting system will help promote contractor improvement in key contract elements. In addition,

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
REPORT NUMBER A040252/F/A/V05002**

FSS Response to the Draft Report

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we plan to add “contractor improvement” as an element in our Performance Management System goals. (See response to recommendation 6 for additional information on this.)

Recommendation 3:

Provide detailed guidance on how to acquire the necessary information for formulation of the Report Card and follow-up procedures on contractor deficiencies.

Comment:

Agree.

The report noted that the Desk Guide’s usefulness would be greater with improvements in the following areas:

- Past Performance – clarify how far to go back
- Definitions and Instructions
- Responsibility for resolving deficiencies identified

The CAI is a relatively new, and evolving, program. As deficiencies are noted or new needs arise, changes have been made to keep the CAI current and to address concerns. Implementation of the next generation of CAI will include a complete rewrite of the Desk Guide. Key to the rewrite will be more detail on processes and procedures for each of the evaluation elements, which will address many of the issues of consistency. In addition, the revised Contractor Assistance Visit (CAV) component of the CAI program will include provisions to track and record the actions taken by the Industrial Operations Analysts (IOAs), Administrative Contracting Officers (ACOs) and Procurement Contracting Officers (PCOs) as a result of the initial CAV report.

Recommendation 4:

Institute a directive that contracting officers use the Report Card.

Comment:

Agree.

The Acquisition Management organization will work with the GSA Chief Acquisition Officer to develop policy requiring use of the CAI report card by PCOs.

**AUDIT OF FSS's
CONTRACTOR ASSESSMENT INITIATIVE (CAI)
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FSS Response to the Draft Report

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Recommendation 5:

Include supervisory oversight to ensure timely and accurate completion of the Report Cards.

Comment:

Agree.

Staffing actions taken in FY 2005, along with a shift in workload in the Metropolitan D.C. area, are expected to address the issue of timeliness. We will provide additional guidance to the Contract Management zones to address the issue of supervisory oversight, to ensure that local managers are paying sufficient attention to the report cards prior to issuance.

Recommendation 6:

Consider expanding the performance measures to include tracking contractor performance improvement and annual percentage increases in the number of Report Cards completed with an emphasis on expiring contracts.

Comment:

Agree.

The Acquisition Management organization plans to include two measures on the 2006 performance scorecard which will address this recommendation. A performance measure regarding "contractor improvement" will assess improvements in contractor performance from one report card to the next. Another new measure will evaluate the percent of contracts where Report Cards on expiring contracts are completed in a timely manner.

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