

U.S. Department of Labor

Office of Inspector General—Office of Audit

OFFICE OF THE ASSISTANT SECRETARY
FOR ADMINISTRATION AND MANAGEMENT



**THERE IS NO EVIDENCE
CONTRACTING OFFICERS ARE
CHECKING REQUIRED SOURCES
BEFORE MAKING
GSA SCHEDULE PROCUREMENTS**

Date Issued: September 15, 2006
Report Number: 05-06-004-07-001

**U.S. Department of Labor
Office of Inspector General
Office of Audit**

BRIEFLY...

Highlights of Report Number: 05-06-004-07-001, to the Assistant Secretary for Administration and Management.

WHY READ THE REPORT

Nineteen agencies in DOL periodically purchase goods and services to accomplish their missions. In Fiscal Year (FY) 2005, DOL agencies procured an estimated \$1.7 billion in supplies and services through over 8,300 separate actions. Of these, over 2,500 represent supplies and services procured through GSA Schedules, at a cost of approximately \$166 million.

Under the GSA Schedules Program outlined in Federal Acquisition Regulation (FAR) Part 8, GSA establishes long-term governmentwide contracts with commercial firms to provide access to over 6.8 million commercial supplies and services. Government agencies can order directly from GSA Schedule contractors or through the "GSA Advantage" online shopping and ordering system. The advantages of using GSA Schedules are volume discount pricing, shorter lead times, lower administrative costs, and reduced inventories.

WHY OIG DID THE AUDIT

Our audit objective was to determine if DOL procured supplies and services through the GSA Schedules Program in accordance with prescribed rules and regulations.

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to: <http://www.oig.dol.gov/public/reports/oa/2006/05-06-004-07-001.pdf>.

September 2006

There Is No Evidence Contracting Officers Are Checking Required Sources Before Making GSA Schedule Procurements

WHAT OIG FOUND

We found for the most part that Contracting Officers were procuring supplies and services through GSA Schedules according to the prescribed rules and regulations. However, we found no evidence that DOL Contracting Officers are checking required sources before making GSA Schedule procurements.

The FAR has two requirements before agencies procure supplies and services using GSA Schedules. First, if applicable, they must check existing government inventories of excess personal property. For all other items and personal property not found during the review of existing inventories, they must give first consideration to the nonprofit agencies on the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled. We found no evidence that DOL Contracting Officers are checking these required sources.

WHAT OIG RECOMMENDED

We recommended that the Chief Acquisition Officer:

- Direct all DOL Contracting Officers to comply with the FAR and the DOL Acquisition Regulation (DOLAR).
- Amend Form DL 1-2216, Simplified Acquisition Documentation Checklist.
- Require all DOL Contracting Officers to use Form DL 1-2216 and include the certified form in the contract file.

OASAM's Deputy Assistant Secretary for Operations (the Senior Procurement Executive) responded that the agency concurs and will implement the recommendations during the First Quarter of FY 2007. Based on the response, we consider the recommendations resolved.

Table of Contents

	PAGE
EXECUTIVE SUMMARY	3
ASSISTANT INSPECTOR GENERAL'S REPORT	7
There Is No Evidence Contracting Officers Are Checking Required Sources Before Making GSA Schedule Procurements	8
APPENDICES.....	13
A. Background.....	15
B. Objective, Scope, Methodology, and Criteria.....	17
C. Acronyms and Abbreviations.....	19
D. Agency Response.....	21

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Executive Summary

We initiated an audit to determine if the Department of Labor (DOL) procured supplies and services through the General Services Administration (GSA) Schedules Program in accordance with prescribed rules and regulations.

Under the GSA Schedules Program, GSA establishes long-term governmentwide contracts with commercial firms to provide access to over 6.8 million commercial supplies and services. Government agencies can order directly from GSA Schedule contractors or through the “GSA Advantage” online shopping and ordering system. The advantages of using GSA Schedules are volume discount pricing, shorter lead times, lower administrative costs, and reduced inventories.

We selected a statistical sample of GSA Schedule procurements in the following DOL agencies with delegated procurement authority: Office of the Assistant Secretary for Administration and Management (OASAM); Employment and Training Administration (ETA); Bureau of Labor Statistics (BLS); and Mine Safety and Health Administration (MSHA). Our audit period was April 1, 2004, through March 31, 2005, except as noted.

Results

We found for the most part that Contracting Officers were procuring supplies and services through GSA Schedules according to the prescribed rules and regulations. However, we found no evidence that DOL Contracting Officers are checking required sources before making GSA Schedule procurements.

The Federal Acquisition Regulation (FAR) has two requirements before agencies procure supplies and services using GSA Schedules. First, if applicable, they must check existing government inventories of excess personal property. For all other items and personal property not found during the review of existing inventories, they must give first consideration to the nonprofit agencies on the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled. We found no evidence that DOL Contracting Officers are checking these required sources.

Further, Department of Labor Acquisition Regulations (DOLAR) at 48 CFR 2953.101 provides a Simplified Acquisition Documentation Checklist (DL 1-2216, effective October 2003) that Contracting Officers must complete and include in the contract file with their certifications. One of the items on the Checklist is that “required sources of supplies/services, including excess supplies, were reviewed prior to the

selection of this vendor.” In OASAM and BLS, we found the Checklist in the contract files, but the box indicating “required sources of supplies/services, including excess supplies, were reviewed prior to the selection of this vendor” was not checked. The instructions on the Checklist indicate that the user should leave a box blank if not applicable. As a result, we were unable to determine if the Contracting Officers were checking these required sources when applicable. ETA and MSHA used an alternate form and not the Checklist. Their form had no indication that “required sources of supplies/services, including excess supplies, were reviewed prior to the selection of this vendor.”

Failure to check excess inventories and required sources could result in wasted DOL funds or contribute to the high unemployment rate of people who are blind or severely disabled.

Recommendations

We recommend that the Chief Acquisition Officer:

1. Direct all DOL Contracting Officers to comply with the FAR and DOLAR by a) first checking existing government inventories, and b) then checking the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled.
2. Amend Form DL 1-2216 to allow Contracting Officers to indicate whether checking required sources is applicable to the procurement type and, if applicable, whether they checked required sources before procuring supplies and services using GSA Schedules. The form should also provide space to annotate the reason why checking required sources is not applicable.
3. Require all DOL Contracting Officers to use Form DL 1-2216 and include the certified form in the contract file.

Agency Response

OASAM’s Deputy Assistant Secretary for Operations (the Senior Procurement Executive) provided a written response on September 1, 2006. The agency concurs with the OIG recommendations and is currently taking steps to:

1. Revise Form DL 1-2216;
2. Require all DOL Contracting Officers to use the revised Form DL 1-2216; and
3. Direct all DOL Contracting Officers to comply with the FAR and DOLAR.

These actions are expected to be completed during the First Quarter of FY 2007.

The Deputy Assistant Secretary’s response is included in its entirety as Appendix D.

OIG Conclusion

Based on the information contained in the Deputy Assistant Secretary's written response to the draft report, we consider all recommendations resolved but open pending receipt of documentation that the planned actions have been implemented.

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

U.S. Department of Labor

Office of Inspector General
Washington, DC 20210



Assistant Inspector General's Report

Patrick Pizzella
Assistant Secretary
for Administration and Management

We initiated an audit to determine if the Department of Labor (DOL) procured supplies and services through the General Services Administration (GSA) Schedules Program in accordance with prescribed rules and regulations.

Under the GSA Schedules Program, GSA establishes long-term governmentwide contracts with commercial firms to provide access to over 6.8 million commercial supplies and services. Government agencies can order directly from GSA Schedule contractors or through the "GSA Advantage" online shopping and ordering system. The advantages of using GSA Schedules are volume discount pricing, shorter lead times, lower administrative costs, and reduced inventories. See Appendix A for a more detailed discussion of the GSA Schedules Program.

We selected a statistical sample of GSA Schedule procurements in the following DOL agencies with delegated procurement authority: Office of the Assistant Secretary for Administration and Management (OASAM); Employment and Training Administration (ETA); Bureau of Labor Statistics (BLS); and Mine Safety and Health Administration (MSHA). Our audit period was April 1, 2004, through March 31, 2005, except as noted. See Appendix B for a more detailed discussion of our objective, scope, and methodology.

We found for the most part that DOL agencies were procuring supplies and services through GSA Schedules according to the prescribed rules and regulations. However, we found no evidence DOL Contracting Officers are checking required sources before making GSA Schedule procurements.

RESULTS, FINDING, AND RECOMMENDATION

Objective – Is DOL Properly Procuring Supplies and Services Through GSA Schedules?

Results

With the exception of the finding discussed below, Contracting Officers in DOL properly procured supplies and services under GSA Schedules. Contracting Officers routinely reviewed the catalogs/pricelists from at least three Schedule vendors, and the factors for determining best value were included in the procurement files. For transactions that were over the maximum order threshold¹, the Contracting Officers sought price reductions. When ordering services at hourly rates, Statements of Work contained all required information. In addition, transactions were properly authorized, approved, and charged to the correct appropriation.

Finding – There is No Evidence Contracting Officers Are Checking Required Sources Before Making GSA Schedule Procurements

The Federal Acquisition Regulation (FAR) has two requirements before agencies procure supplies and services using GSA Schedules. First, if applicable, they must check existing government inventories of excess personal property. For all other items and personal property not found during the review of existing inventories, they must give first consideration to the nonprofit agencies on the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled. We found no evidence that DOL Contracting Officers are checking these required sources. This omission could result in wasted DOL funds or contribute to the high unemployment rate of people who are blind or severely disabled.

During our audit of 146 transactions for the period April 1, 2004, through March 31, 2005, we found no evidence that DOL Contracting Officers first checked existing government inventories or the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled. We found this to be the case with all sampled transactions at the following DOL agencies that we visited: OASAM; ETA; BLS; and MSHA.

We also found at OASAM that:

- 4 out of 35 files selected for testing in the National Office could not be located;

¹ The dollar value of the maximum order threshold varies depending on the type of supplies and services. In our audit, the maximum order threshold ranged from \$250,000 to \$1 million.

- Contracting Officers were not reviewing the catalogs/pricelists from at least three Schedule vendors; and
- files often lacked the required documentation (i.e., indication of contracts considered, circumstances and rationale for restricting consideration, and additional documentation required for Statements of Work).

In discussing these preliminary findings with OASAM officials, they acknowledged deficiencies in their GSA Schedule procurements during our original audit period, but asserted that corrective actions had subsequently been taken. In order to affirm whether OASAM had implemented corrective action, we randomly selected and tested 30 additional transactions during the period April 1, 2005, through October 31, 2005. In our testing of these 30 additional files, OASAM located all the files; we found that Contracting Officers were reviewing the catalogs/pricelists of at least three Schedule vendors; and we observed all the required documentation. Because these issues were corrected in the subsequent period, we are not making any recommendations. However, we still found no evidence Contracting Officers were checking required sources before making GSA Schedule procurements.

FAR 8.102 states: “. . . agencies must use excess personal property as the first source of supply for agency and cost-reimbursement contractor requirements.”

FAR 8.704(a) implements the Javits-Wagner-O'Day Act (JWOD) by requiring that agencies purchase supplies or services from nonprofit agencies on the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled, if the supplies or services are available within the agency's needed time period. The JWOD program addresses the 70 percent unemployment rate of the blind or severely disabled through orchestrating government purchases of supplies and services to the nonprofit agencies that employ them.

Further, Department of Labor Acquisition Regulations (DOLAR) at 48 CFR 2953.101 provides a Simplified Acquisition Documentation Checklist (DL 1-2216, effective October 2003) that Contracting Officers must complete and include in the contract file with their certifications. One of the items on the Checklist is that “required sources of supplies/services, including excess supplies, were reviewed prior to the selection of this vendor.” This Checklist appears in the DOLAR revision published in the Federal Register on April 27, 2004, effective May 27, 2004.

Contracting files of all four agencies – OASAM, ETA, BLS, and MSHA – lacked evidence that Contracting Officers first checked existing government inventories or the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled. In OASAM and BLS, we found the Checklist in the contract files, but the box indicating “required sources of supplies/services, including excess supplies, were reviewed prior to the selection of this vendor” was not checked. The instructions on the Checklist indicate that the user should leave a box blank if not applicable. As a result, we were unable to determine if the Contracting

Officers determined this requirement was not applicable or did not check these required sources when applicable. ETA and MSHA used an alternate form and not the required Checklist. Their forms had no indication that “required sources of supplies/services, including excess supplies, were reviewed prior to the selection of this vendor.”

The Director of OASAM’s Office of Procurement Services (OPS) stated that the checking of required sources is performed by agency personnel before the procurement request is forwarded to the Contracting Officer. However, the DOLAR criteria cited above indicates that this is a Contracting Officer responsibility.

It is important that Contracting Officers perform this step as part of the procurement process to save DOL the cost of the purchase if existing inventories will suffice, and assist agencies for the blind or severely disabled as they address high unemployment.

Recommendations

We recommend that the Chief Acquisition Officer:

1. Direct all DOL Contracting Officers to comply with the FAR and DOLAR by a) first checking existing government inventories, and b) then checking the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled.
2. Amend Form DL 1-2216 to allow Contracting Officers to indicate whether checking required sources is applicable to the procurement type and, if applicable, whether they checked required sources before procuring supplies and services using GSA Schedules. The form should also provide space to annotate the reason why checking required sources is not applicable.
3. Require all DOL Contracting Officers to use Form DL 1-2216 and include the certified form in the contract file.

Agency Response

OASAM’s Deputy Assistant Secretary for Operations (the Senior Procurement Executive) provided a written response on September 1, 2006. The agency concurs with the OIG recommendations and is currently taking steps to:

1. Revise Form DL 1-2216;
2. Require all DOL Contracting Officers to use the revised Form DL 1-2216; and
3. Direct all DOL Contracting Officers to comply with the FAR and DOLAR.

These actions are expected to be completed during the First Quarter of FY 2007.

OIG Conclusion

Based on the information contained in the Deputy Assistant Secretary's written response to the draft report, we consider all recommendations resolved but open pending receipt of documentation that the planned actions have been implemented.



Elliot P. Lewis
January 17, 2006

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

Appendices

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

APPENDIX A

BACKGROUND

In FY 2005, DOL agencies procured an estimated \$1.7 billion in supplies and services through more than 8,300 separate actions. Of these, over 2,500 represent supplies and services procured through GSA Schedules, at a cost of approximately \$166 million.

Under the GSA Schedules Program, GSA establishes long-term governmentwide contracts with commercial firms to provide access to over 6.8 million commercial supplies and services. Government agencies can order directly from GSA Schedule contractors or through the “GSA Advantage” online shopping and ordering system.

GSA Schedules offer agencies direct delivery of millions of state-of-the-art, high-quality commercial supplies and services at volume discount pricing. GSA Schedules also offer the potential benefits of shorter lead times, lower administrative costs, and reduced inventories.

When using the GSA Schedules Program outlined in FAR 8.4, agencies have the opportunity to meet small business goals, while promoting compliance with various environmental and socioeconomic laws and regulations. By placing an order against a GSA Schedule contract, the agency has concluded that the order represents the best value and results in the lowest overall cost alternative to meet the government’s needs. Such orders comply with the requirements for full and open competition. Agencies are not allowed to seek competition outside of GSA Schedules or synopsise the requirement. Although GSA has already negotiated fair and reasonable pricing, agencies may seek additional discounts before placing an order.

The DOLAR implements and supplements the FAR with additional provisions, as necessary.

The Department of Labor Manual Series (DLMS) 2-830, Procurement Management Program, describes the responsibilities of procurement officials and designates OASAM’s Deputy Assistant Secretary for Operations as DOL’s Senior Procurement Executive. The DLMS also designates OASAM’s Assistant Secretary as the Department’s Chief Acquisition Officer. In addition, DLMS 2-830 delegates procurement authority to the following DOL Agencies: MSHA, ETA, Office of Inspector General (OIG), BLS, and OASAM’s OPS.

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

APPENDIX B

OBJECTIVE, SCOPE, METHODOLOGY, AND CRITERIA

Objective

Our audit objective was to determine if DOL procured supplies and services through the GSA Schedules Program in accordance with prescribed rules and regulations.

Scope

We selected a statistical sample of 146 procurement transactions from a universe of 2,767 transactions for the period April 1, 2004, through March 31, 2005. Because OASAM had multiple locations, we first randomly selected the locations. We selected our samples and performed our audit at the following DOL offices:

- Office of the Assistant Secretary for Administration and Management (OASAM), Office of Procurement Services (OPS)
- OASAM New York Regional Office
- OASAM Philadelphia Regional Office
- OASAM Dallas Regional Office
- Employment and Training Administration (ETA)
- Bureau of Labor Statistics (BLS)
- Mine Safety and Health Administration (MSHA) Headquarters
- MSHA Academy in Beckley, WV

In order to affirm whether OASAM had implemented corrective action, we performed additional audit testing at OPS and the OASAM Philadelphia Regional Office. OPS, in Washington, DC, was selected because it awarded the largest number of GSA Schedule procurements. Philadelphia was selected because of its close proximity to OPS. We selected a random sample of 15 transactions at each location (for a total of 30) from a universe of 919 transactions for the period April 1, 2005, through October 31, 2005.

We did not audit GSA Schedule procurement transactions in the OIG because of our lack of independence, as required by the *Government Auditing Standards*.

Methodology

Our fieldwork began May 6, 2005, and ended January 17, 2006. We interviewed DOL Procurement Officials in OASAM, ETA, BLS, and MSHA to obtain an understanding of DOL's GSA Schedule procurement procedures. We tested GSA Schedule procurement transactions for evidence of the following requirements outlined in FAR 8.1, FAR 8.4, and FAR 8.7:

- Checking existing inventories of excess personal property;
- Documenting factors used for determining best value;
- Reviewing the catalogs or pricelists of at least three Schedule vendors;
- Documenting the vendors considered; a description of the supply or service; the amount paid; and the rationale for restricting consideration, if applicable;
- Seeking price reductions for transactions over the maximum order threshold; and
- Documenting that Statements of Work contained the information required when ordering services at hourly rates.

To meet our objective, we reviewed management controls over relevant activities. Our management controls work included obtaining and reviewing policies and procedures, interviewing key personnel, and reviewing selected transactions to observe the controls in place. Our testing of management controls focused only on the controls related to our audit objective and was not intended to form an opinion on the adequacy of overall management controls, and we do not render such an opinion. Weaknesses noted in our testing are discussed in Objective 1 of this report.

Our testing determined DOL's compliance with Title 48 CFR 2908.4, Title 48 CFR 2953.101, and FAR 8.1, FAR 8.4, and FAR 8.7. This testing was not intended to form an opinion on compliance with laws and regulations as a whole, and we do not render such an opinion.

We conducted our audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States, and we performed such tests as we considered necessary to satisfy our audit objective.

Criteria

We used the following criteria to perform this audit:

Department of Labor Acquisition Regulations (DOLAR):
48 CFR Subpart 2908.4 – Using Schedules
48 CFR Subpart 2953.101 – Simplified Acquisition Documentation Checklist

Federal Acquisition Regulation (FAR):
Subpart 8.1 – Excess Personal Property
Subpart 8.4 – Federal Supply Schedules
Subpart 8.7 – Acquisition from Nonprofit Agencies Employing People Who
Are Blind or Severely Disabled

Department of Labor Manual Series (DLMS) 2-830 – Procurement Management Program

ACRONYMS AND ABBREVIATIONS

BLS	Bureau of Labor Statistics
CFR	Code of Federal Regulations
DLMS	Department of Labor Manual Series
DOL	Department of Labor
DOLAR	Department of Labor Acquisition Regulations
ETA	Employment and Training Administration
FAR	Federal Acquisition Regulation
GSA	General Services Administration
JWOD	Javits-Wagner-O'Day Act
MSHA	Mine Safety and Health Administration
OASAM	Office of the Assistant Secretary for Administration and Management
OIG	Office of Inspector General
OPS	Office of Procurement Services

PAGE HAS BEEN INTENTIONALLY LEFT BLANK

APPENDIX D

AGENCY RESPONSE TO DRAFT REPORT

U.S. Department of Labor

Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210

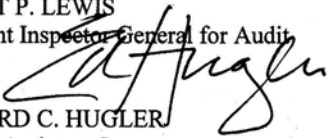


SEP 01 2006

MEMORANDUM FOR ELLIOT P. LEWIS

Assistant Inspector General for Audit

FROM:


EDWARD C. HUGLER
Deputy Assistant Secretary
for Administration and Management

SUBJECT:

Response to Draft Audit Report on Findings and Recommendations:
There is No Evidence Contracting Officers are Checking Required
Sources Before Making GSA Schedule Procurements; Draft Audit
Report No.: 05-06-004-07-001

This responds to the subject draft report resulting from an audit by the Office of Inspector General, based on fieldwork begun May 6, 2005 and concluded January 17, 2006, to determine if the Department of Labor (DOL) procured supplies and services through the General Services Administration (GSA) Schedules Program in accordance with prescribed rules and regulations. The report confirms that DOL Contracting Officers were, for the most part, procuring supplies and services through GSA services in conformance with applicable requirements, with the exception of the one finding below.

The finding arises from an ambiguity in Form DL 1-2216, and the use of an alternate form by ETA and MSHA. As a result, there was an absence of clear documentation in contract files that DOL Contracting Officers were checking required sources before procuring supplies and services using GSA Schedules—specifically existing government inventories of excess personal property, and nonprofit agencies on the Procurement list provided by the Committee for Purchase from People Who are Blind or Severely Disabled.

Draft Finding: There is No Evidence Contracting Officers are Checking Required Sources Before Making GSA Schedule Procurements

Draft Recommendations: The OIG recommends that the Chief Acquisition Officer—

1. Direct all DOL Contracting Officers to comply with the Federal Acquisition Regulation (FAR) and the DOL Acquisition Regulation (DOLAR) by: (a) first checking existing government inventories, and (b) then checking the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled.
2. Amend Form DL 1-2216 to allow Contracting Officers to indicate whether checking required sources is applicable to the procurement type and, if applicable, whether they checked required sources before procuring supplies and services using GSA Schedules. The form should also provide space to annotate the reason why checking required sources is not applicable.

3. Require all DOL Contracting Officers to use Form DL 1-2216 and include the certified form in the contract file.

Agency Response: We concur with the OIG recommendations and are currently taking steps to:

1. Revise Form DL 1-2216 under the authority of DOLAR Section 2901.404 permitting such revisions without the rulemaking process to amend the regulation;
2. Require all DOL Contracting Officers to use the revised Form DL 1-2216 and include the certified form in the contract file; and
3. Direct all DOL Contracting Officers to comply with the Federal Acquisition Regulation and DOLAR by: (a) first checking existing government inventories, and (b) then checking the Procurement List provided by the Committee for Purchase from People Who Are Blind or Severely Disabled.

We anticipate that these actions will be completed during the First Quarter of FY 2007. If you have any questions, please have your staff contact Al Stewart, Director, Business Operations Center on (202) 693-4021.

cc: Heads of DOL Contracting Activities
Al Stewart, OASAM