

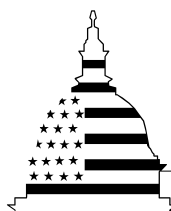
GAO

Report to the Chairman, Committee
on Government Reform, House of
Representatives

April 2003

TELECOMMUNICATIONS

GSA Needs to Improve
Process for Awarding
Task Orders for Local
Service



G A O

Accountability ★ Integrity ★ Reliability

G A O
Accountability • Integrity • Reliability
Highlights

Highlights of [GAO-03-369](#), a report to the Chairman, Committee on Government Reform, House of Representatives

Why GAO Did This Study

The Metropolitan Area Acquisition (MAA) program, managed by the General Services Administration (GSA), provides local telecommunications services to government agencies in selected metropolitan areas. Of the 25 cities in which MAA contracts were awarded as of January 2003, 15 were awarded to two or more providers. Such multiple-award contracts are a means of promoting competition. To ensure equity in the award of task orders under these contracts, the Federal Acquisition Regulation (FAR) requires that the government provide contractors a fair opportunity to be considered. GAO was asked to review, among other things, whether GSA's implementation of the fair consideration process is consistent and the effect of any inconsistency, as well as the adequacy of GSA's documentation to support the decisions reached.

What GAO Recommends

GAO is recommending that GSA follow a consistent fair consideration process, including uniform requirements for documentation. Deviations from this common process should be documented and communicated to contractors so that all MAA stakeholders can understand the process.

In written comments on a draft of this report, the Administrator of General Services agreed with our recommendations and said that GSA was acting to implement them.

www.gao.gov/cgi-bin/getrpt?GAO-03-369

To view the full report, including the scope and methodology, click on the link above. For more information, contact Linda Koontz at (202) 512-6240 or koontzl@gao.gov.

TELECOMMUNICATIONS

GSA Needs to Improve Process for Awarding Task Orders for Local Services

What GAO Found

GSA field offices take different approaches to awarding task orders under multiple-award MAA contracts, leading to variations both among cities and within cities. Although the FAR gives contracting officers broad latitude in ensuring that this process offers contractors a fair opportunity to be considered, GSA recognizes that consistency is important within the nationwide MAA program. However, GSA headquarters has not developed or implemented a uniform fair consideration process. As a result, GAO found variations in the processes used: principally, in the time frames used in contractor price comparisons (see table). Such inconsistencies frequently influenced the choice of contractor. Further, because oversight was not provided, in six cases agency preference was used as a criterion for selecting a contractor, which is a violation of the FAR. Because GSA did not consistently follow a common process that ensured compliance with the FAR, it cannot ensure the fairness of its decisions.

Further, the documentation for about one-fifth of GSA's fair consideration decisions was not adequate for determining how these decisions were reached. According to the FAR, sufficient documentation of all contractual actions must be maintained to provide (1) a basis for decisions reached and (2) information for subsequent reviews. Out of 483 fair consideration decisions from regional GSA offices in the 11 cities that GAO assessed, the documentation furnished for 91 (19 percent) was not adequate. Weaknesses observed include lack of stated rationale for decisions reached, price comparisons that did not support the choice of contractor selected by GSA, and lack of support for technical factors used in making the decisions. These weaknesses occurred because GSA did not establish and implement uniform guidelines for documenting its MAA fair consideration decisions. As a result, MAA stakeholders (GSA, agencies, and MAA contractors) do not have assurance that the fair consideration process was properly administered.

Variations in Time Frames Used in MAA Contractor Price Comparisons

City	Time frame used in price analysis					Insufficient data to determine
	1 month	1 year	3 years	4 years	Life cycle	
Atlanta ^a	—	—	—	—	—	—
Boston	X	X	—	X	—	—
Cleveland	—	—	—	—	X	—
Dallas	—	X	—	—	X	—
Denver	X	—	—	—	X	—
Indianapolis	—	—	—	—	X	—
Los Angeles	—	—	—	—	—	X
Minneapolis	—	—	—	—	X	—
New York	—	X	X	—	—	—
Philadelphia	X	—	—	X	—	—
St. Louis	—	—	—	—	—	X

Source: GAO, GSA.

^aNo price comparison was completed in calendar year 2001.

Contents

Letter		1
	Results in Brief	2
	Background	4
	GSA Has Not Established a Consistent Process or Provided Adequate Oversight	7
	Numerous Fair Consideration Decisions Were Not Adequately Documented	14
	Use of Requests for Quotations Produced Mixed Results, but Limited Data Preclude a Thorough Evaluation	16
	Conclusions	18
	Recommendations for Executive Action	19
	Agency Comments and Our Evaluation	20

Appendix I	Termination Charges and Service Initiation Charges	22
-------------------	---	-----------

Appendix II	Objectives, Scope, and Methodology	24
--------------------	---	-----------

Appendix III	Comments from the General Services Administration	27
---------------------	--	-----------

Tables		
	Table 1: MAA Multiple-Award Cities in Which GSA Made Fair Consideration Decisions in 2001	7
	Table 2: Comparison of Time Frames Used in MAA Contractor Price Comparisons	9
	Table 3: Comparison of 1-Year and Life-Cycle Price Analyses for Dallas	10
	Table 4: Effect of Including Reconfiguration Charges in MAA Contractor Price Comparisons (Dallas)	12

Abbreviations

ASP	Aggregated Switch Procurement
FAR	Federal Acquisition Regulation
FTS	Federal Technology Service
GSA	General Services Administration
MAA	Metropolitan Area Acquisition
RFQ	Request for Quotations
SIC	service initiation charge

This is a work of the U.S. Government and is not subject to copyright protection in the United States. It may be reproduced and distributed in its entirety without further permission from GAO. It may contain copyrighted graphics, images, or other materials. Permission from the copyright holder may be necessary should you wish to reproduce copyrighted materials separately from GAO's product.



United States General Accounting Office
Washington, DC 20548

April 4, 2003

The Honorable Tom Davis
Chairman
Committee on Government Reform
House of Representatives

Dear Mr. Chairman:

The Metropolitan Area Acquisition (MAA) program provides local telecommunications services to federal agencies in selected metropolitan areas. The MAA program manager, the General Services Administration (GSA), initiated this nationwide program in 1997 to achieve immediate, substantial, and sustained price reductions for agencies' local telecommunications services; to expand agencies' choices of high-quality services; and to encourage cross-agency sharing of resources. In 15 of 25 metropolitan areas in which MAA contracts had been awarded as of January 2003, GSA had awarded contracts to two or more telecommunications providers. The intent of such multiple-award contracts is to sustain competition and obtain the best value on task orders awarded throughout the contract period. For these contracts, the Federal Acquisition Regulation requires agencies to provide the multiple-award contractors a fair opportunity to be considered for task orders; GSA refers to this process as its fair consideration process. Fair consideration decisions may be based on price alone, or they may be based on consideration of price plus other factors, such as technical requirements or the contractors' past performance. This report responds to your request that we determine (1) whether GSA's fair consideration process is consistent within and among metropolitan areas, and if not, whether or not inconsistencies affect the process results; (2) whether GSA's documentation properly and appropriately supports its fair consideration decisions; and (3) whether the use of Requests for Quotations¹ in the fair

¹ Requests for Quotations are used in acquisitions to communicate government requirements to prospective contractors and to solicit quotations from them regarding price and other factors. In this report, the term "Request for Quotations" refers to a request from GSA to MAA contract vendors for price and other information. These Requests for Quotations are authorized by section G.2.1, "Service Price Quotes," of the MAA contract, as follows: "The contractor shall provide price quotes for specific services and features when requested by the GDR or ADR prior to submitting a service order request. The price quote shall identify all recurring and nonrecurring charges, the service availability date, the date when the price quote will become nonbinding, and appropriate technical information that describes the service."

consideration processes followed by GSA is cost-effective. In response to concerns raised at an oversight hearing on the MAA program, you also requested that we determine whether contract termination charges and service initiation charges had affected GSA's fair consideration decisions; these results are reported in appendix I.

This report is based on work we performed at GSA's Federal Technology Service (FTS) headquarters and at our Washington, D.C., office, using documentation furnished by GSA's regional FTS offices. We reviewed all fair consideration decisions made by GSA during calendar year 2001 as part of the MAA contracts' service ordering process, including supporting documentation maintained by GSA, the MAA contracts, applicable federal acquisition guidelines, and any further GSA guidance on this process. We conducted our work from May 2002 through February 2003, in accordance with generally accepted government auditing standards. Appendix II contains a detailed discussion of our objectives, scope, and methodology.

Results in Brief

Although GSA officials have stated that the nationwide MAA program should be consistently administered, GSA did not establish and follow a consistent process when making its fair consideration decisions.² During calendar year 2001, fair consideration processes varied both within and across MAA cities. Variations occurred in the lengths of time over which contractor prices are compared and in the use of additional estimated costs for changing telecommunications lines or service features over time. Both variations influenced which contractors received task order awards to provide services to agencies under these contracts. Further, because GSA has not provided adequate oversight, regional offices in six instances incorrectly used agency preference as a basis for selecting a contractor—violating the Federal Acquisition Regulation—and selected a higher priced incumbent service provider.

Of the fair consideration decisions made by GSA during calendar year 2001, 19 percent were not fully supported by documentation. According to the Federal Acquisition Regulation, all contractual actions must be documented in a manner sufficient to provide a basis for decisions reached in the acquisition process, and to provide information for

² Consistent with the request letter, we use the term "fair consideration" for the task order award process established by the Federal Acquisition Regulation, Part 16, requiring that each vendor be accorded "a fair opportunity to be considered for each order."

subsequent reviews of those decisions. Weaknesses observed included lack of stated rationale for decisions reached, price comparisons that did not support the choice of contractor selected by GSA, and lack of support for technical factors used in making the decisions. These weaknesses were allowed to occur because GSA did not establish and implement uniform guidelines for documenting its MAA fair consideration decisions. As a result, for 91 out of 483 decisions made in 2001, MAA stakeholders (GSA, agencies, and MAA contractors) do not have assurance that the fair consideration process was properly administered.

GSA's use of Requests for Quotations in the fair consideration process may be cost-effective for some local telecommunications services, but limited data preclude a comprehensive evaluation. By pursuing this additional competition, GSA may receive cost proposals from contractors that could include more favorable terms than those in the published contract, such as lower monthly prices, or waived or reduced service initiation charges. Examination of this process in Denver revealed that although it produced substantial savings when one type of service was acquired, it did not result in savings when a second type of service was obtained. GSA did not measure the costs and benefits of this process to determine where the use of Requests for Quotations was most suitable for acquiring local telecommunications services or to identify improvements that could make the process more cost-effective.

In addition, we determined that the inclusion of contract termination charges may have changed the choice of contractors in 5 of 16 GSA fair consideration decisions in the one MAA city in which these charges applied,³ and service initiation charges were a deciding factor in the choice of contractors in 61 out of 272 decisions in seven cities (details are given in app. I).

In light of the inconsistencies in the MAA fair consideration process, we are recommending to the Administrator of General Services that GSA establish and follow a uniform process for fair consideration. We are also recommending that GSA develop and implement uniform guidelines for

³ Three of these decisions were made based on price alone, and therefore would have been directly affected. The two other decisions were made based on price and technical considerations; it is unclear from the documentation, however, how the technical considerations supported those decisions. Therefore, in those two cases, we are unable to predict whether inclusion of termination charges resulted in a different choice of contractor.

documenting its fair consideration decisions, and that it establish the measures needed to ensure the cost-effectiveness of its process and to provide a basis for improvement.

In written comments on a draft of this report, the Administrator of General Services agreed with our recommendations and said that GSA was acting to implement them.

Background

The MAA program comprises contracts offering local voice and certain data telecommunications services to federal agencies in selected metropolitan areas across the country. GSA began planning this program just a few months after the passage of the Telecommunications Act of 1996, which was intended to increase competition and reduce regulations in the telecommunications industry, particularly for local services. Recognizing that this competition would create an opportunity for the government to gain an immediate price reduction in local telecommunications services, GSA developed and launched the MAA program to take advantage of this emerging competition. Further, it envisioned the MAA contracts as a complement to existing local service contracts in metropolitan areas, as well as a solution for contracts that were expiring. As of January 2003, GSA had awarded MAA contracts in 25 cities, with a total maximum value of \$5.1 billion.

Each MAA contract is a fixed-price, indefinite-delivery, indefinite-quantity contract with a base term of 4 years (48 months) from date of award, with four successive 1-year options. In 15 of the 25 MAA cities, GSA awarded these contracts to two or more telecommunications providers; such contracts are referred to as multiple-award contracts. The Federal Acquisition Streamlining Act (FASA) of 1994 established a preference for awarding contracts for indefinite quantities to multiple firms rather than to a single company. This approach was intended to provide agencies a means to procure goods and services quickly, using streamlined acquisition procedures, while obtaining the advantage of competition.

Under multiple-award contracts, the Federal Acquisition Regulation (FAR) requires that contractors be afforded “a fair opportunity to be considered” in the subsequent award of task orders issued to meet specific agency needs under these contracts. The process used to ensure this opportunity is referred to as the fair consideration process. In administering this process, contracting officers are given broad latitude by the FAR.

The MAA contracts give a broad outline of the procedure to be followed by the government in conducting its fair consideration process.⁴ The government- or agency-designated representative is to consult the latest information about the contractors, including published contract prices, related analyses that aid decisionmaking, information from contractors such as price quotes or technical analyses, and other relevant information. Using available information, the representative selects a contractor by one of two methods: basing the decision solely on relative prices without further consideration of other factors, or basing the decision on a combination of price, technical, and past performance considerations appropriate to the particular decision. After completing this decision process, the representative then places a task order with the selected contractor for the required telecommunications services.

GSA contracting officers making task order decisions can obtain price information from published contracts, or they can choose to issue a Request for Quotations (RFQ) as an additional mechanism for lowering prices. Using an RFQ process to support fair consideration decision-making can offer additional competitive benefits by allowing contractors to lower prices beyond their contract offers and to reduce or waive service initiation and other charges. However, while the RFQ process is being pursued, agencies must continue to pay pre-MAA prices for telecommunications services, rather than the lower MAA contract prices.

When making fair consideration decisions under the MAA contracts, in addition to comparing monthly recurring charges for providing telecommunications services, GSA may consider additional costs associated with these services, such as the one-time termination charges that may be associated with a pre-MAA telecommunications service contract. GSA may also consider contractors' service initiation charges⁵ for implementing service. When a contractor is also the incumbent, pre-MAA telecommunications provider in a city, it does not generally include a service initiation charge in its price quotes for existing lines and services to be transitioned to an MAA contract, because it does not incur new

⁴ The MAA service ordering process is outlined in Section G.2 of the MAA contracts, including the prescribed procedure to give fair consideration to contractors for task order awards under the contract.

⁵ A service initiation charge is a charge to a customer by a telecommunications provider for the initiation of a new telecommunications service, such as the installation of a new telephone line.

expenses to provide these lines and services. Where volume or types of services differ from existing services, incumbents may include service initiation charges in their pricing. All contractors can choose to waive these charges.

Including these charges in fair consideration price comparisons may give an advantage to an incumbent contractor (since the incumbent's price would generally not include such charges), but this advantage is permissible. That is, acquisition case law has established that a contractor may have unique advantages and capabilities (because of its prior experience, for example), and the government is not required to equalize competition or compensate for these advantages, unless there is evidence of preferential treatment or other improper action.

GSA's FTS headquarters in Fairfax, Virginia, and its regional offices in the various metropolitan areas share responsibility for administering the MAA contracts. According to testimony by the FTS Commissioner in June 2001,⁶ FTS headquarters is responsible for developing solicitations, evaluating offers, awarding contracts, and supporting implementation activities, and the FTS regional offices are responsible for developing city-specific requirements and for contract implementation activities, including managing the process used to select among MAA contract awardees for placing task orders (that is, the fair consideration process).

In calendar year 2001, fair consideration processes were conducted in 11 of the 15 MAA cities with multiple-award contracts. Table 1 lists these 11 cities, their MAA contractors, and the number of fair consideration decisions reached in 2001.

⁶ Testimony of Sandra Bates, FTS Commissioner, General Services Administration, before the Subcommittee on Technology and Procurement Policy (June 13, 2001).

Table 1: MAA Multiple-Award Cities in Which GSA Made Fair Consideration Decisions in 2001

MAA multiple-award cities	Number of fair consideration decisions	Contractors
Atlanta	1	WinStar BellSouth
Boston	21	AT&T Southwestern Bell Verizon Winstar
Cleveland	71	Ameritech AT&T
Dallas	20	AT&T Southwestern Bell WinStar
Denver	128	AT&T Qwest WinStar
Indianapolis	50	WinStar AT&T Ameritech
Los Angeles	44	WinStar Pacific Bell
Minneapolis	118	WinStar Qwest
New York	11	AT&T Verizon
Philadelphia	10	AT&T WinStar
St. Louis	9	WinStar Southwestern Bell

Source: GSA.

GSA Has Not Established a Consistent Process or Provided Adequate Oversight

GSA management has stated its desire to ensure consistency throughout the nationwide MAA program, but it has not established a common process for fair consideration decisions. Because GSA headquarters has not developed or implemented a uniform method to be followed by its regional offices in conducting the fair consideration process, approaches vary among cities and, in some cases, within cities. Variations occurred in the periods of time over which contractor prices were compared and in the inclusion of reconfiguration costs⁷ in price comparisons, which

⁷ Reconfiguration costs are associated with the need to move, add, or change telephone lines, services, or features after they have been installed.

affected the choice of contractors. Further, because GSA did not oversee the application of this process, in some instances regional offices violated the FAR by incorrectly using agency preference as a basis, in part or as a whole, for selecting a higher priced contractor for an MAA task order.

Although the FAR gives contracting officers broad latitude in administering the fair consideration process, GSA recognizes that the MAA program and its contracts should be consistently managed and administered. In her June 2001 testimony, the FTS Commissioner stated that because MAA is a national program, communications and coordination among GSA staff with MAA program responsibilities (FTS headquarters, its regional offices, and MAA program management staff) were essential to ensure program continuity and consistency.⁸ Thus, GSA views consistency as an important attribute within the nationwide MAA program.

The principal variation we identified in the fair consideration process concerned the period of time selected by regional staff over which to compare contractor prices. The different time periods that GSA regional offices used for comparing contractor prices ranged from as short as 1 month to as long as the entire period remaining in the life of the contract (GSA documentation referred to the latter as a life-cycle analysis). In three cities—Cleveland, Indianapolis, and Minneapolis—GSA considered contract life as the evaluation period. GSA's Denver staff usually used a 1-month evaluation period,⁹ but it used a life-cycle analysis to justify 17 percent of its decisions. In four other cities, this price comparison varied from decision to decision: specifically, the Dallas regional office alternated between use of contract life and a 1-year period in its analyses; the New York regional office used 1-year and 3-year periods; the Philadelphia staff used a 1-month period and a 4-year period; and the Boston regional office used a 1-month period in some cases, and in others considered savings for both 1-year and 4-year periods. The reason for the specific comparison period used was not recorded in decision documentation. Table 2 summarizes the different price comparison periods used.

⁸ Testimony of Sandra Bates, FTS Commissioner, General Services Administration, before the Subcommittee on Technology and Procurement Policy (June 13, 2001).

⁹ Although Denver used a 1-month price comparison period for 83 percent of its fair consideration decisions, it also identified life-cycle cost savings to customer agencies.

Table 2: Comparison of Time Frames Used in MAA Contractor Price Comparisons

City	Time frame used in price analysis					Insufficient data to determine ^a
	1 month	1 year	3 years	4 years	Life cycle	
Atlanta ^b	—	—	—	—	—	—
Boston	X	X	—	X	—	—
Cleveland	—	—	—	—	X	—
Dallas	—	X	—	—	X	—
Denver	X	—	—	—	X	—
Indianapolis	—	—	—	—	X	—
Los Angeles	—	—	—	—	—	X
Minneapolis	—	—	—	—	X	—
New York	—	X	X	—	—	—
Philadelphia	X	—	—	X	—	—
St. Louis	—	—	—	—	—	X

Source: GAO, GSA.

Note: GAO analysis of GSA data.

^a Decision documentation did not identify the time frame used.

^b One fair consideration decision was reached in Atlanta during calendar year 2001. An RFQ was issued to the contractors to obtain a price quote for service. However, because a valid cost proposal was received from only one contractor, a complete price comparison was not necessary.

Although the MAA contracts state that contract price will always be a factor in GSA's fair consideration procedure, they do not specify the time period over which price comparisons should be made. However, a consistent time period is important, because analyses over different time periods may lead to different results. For example, one-time costs such as service initiation charges have a less direct influence on decisions that compare prices over a longer period of time, because those additional one-time costs may be offset by lower prices over the life of the contract. Conversely, when prices are compared over a shorter period of time, such additional charges form a relatively greater portion of total costs compared; thus, their inclusion can favor the incumbent service provider (whose price does not generally include these charges).

The effect of using different time frames in price comparisons is illustrated in table 3. This table summarizes the decisions reached in Dallas, where Southwestern Bell was the incumbent telecommunications provider. If GSA had used a contract life-cycle time frame in its price comparisons, then the decisions reached might have been different in half of those

cases.¹⁰ Further, if it had consistently made these MAA task order awards to the contractors offering lower life-cycle prices, GSA could have realized an additional estimated \$459,000 in savings for customer agencies in Dallas over the life of the contracts.

Table 3: Comparison of 1-Year and Life-Cycle Price Analyses for Dallas

Customer	Lowest cost contractor according to analysis (checks indicate analysis used)			Decision would have differed if life-cycle price analysis had been used
	1st year price analysis	Life-cycle price analysis	Recipient of award	
1	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
2	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
3	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
4	Southwestern Bell	✓ Southwestern Bell	Southwestern Bell	No
5	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
6	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
7	✓ WinStar	WinStar	WinStar	No
8	Southwestern Bell	✓ Southwestern Bell	Southwestern Bell	No
9	Southwestern Bell	✓ Southwestern Bell	Southwestern Bell	No
10	Southwestern Bell	✓ Southwestern Bell	Southwestern Bell	No
11	AT&T	✓ Southwestern Bell ^a	Southwestern Bell	Cannot predict ^a
12	Southwestern Bell	✓ AT&T	AT&T	No
13	WinStar	✓ WinStar	WinStar	No
14	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
15	✓ Southwestern Bell	WinStar	Southwestern Bell	Yes
16	✓ Southwestern Bell	WinStar	Southwestern Bell	Yes
17	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes
18	✓ WinStar	WinStar	WinStar	No
19	✓ WinStar	WinStar	WinStar	No
20	✓ Southwestern Bell	AT&T	Southwestern Bell	Yes

Source: GAO, GSA.

Note: GAO analysis of GSA data.
 Southwestern Bell was the incumbent telecommunications service provider.
 Check marks indicate the actual time frame used by GSA to compare contractor pricing.
 Analyses are ordered chronologically by date of first task order award issued following each associated fair consideration decision.

^a Fair consideration decision made by GSA based on price and technical consideration (agency preference).

A secondary inconsistency within fair consideration processes concerned the use of reconfiguration costs (costs to move, add, or change telephone

¹⁰ In 16 of 20 cases, GSA cites price and technical considerations as the basis for its decisions.

lines, services, or features) in contractor price comparisons. Although these charges are a part of all MAA contracts, only the Dallas regional office included estimates of these costs in the MAA price comparisons supporting its fair consideration decisions. Further, Dallas did not use these charges consistently: they appeared in only half the price comparisons completed, and they were calculated in two different ways. (In most cases, GSA staff based estimates on the assumption that 10 percent of the telecommunications lines ordered would move locations, add services, or change features during the course of a year; in two cases, GSA staff assumed that services or features associated with 25 percent of lines ordered would change annually.) The reason for the variations in the use of these charges and in their estimates was not recorded in decision documentation.

Table 4 shows that in 5 of 10 decisions made in Dallas, a different contractor might have been awarded the task orders if reconfiguration charges had not been included in price comparisons. (Three of these five decisions were based on price alone. Two of these decisions were based on both price and technical considerations, and so we cannot predict the effect of excluding reconfiguration charges.)

Table 4: Effect of Including Reconfiguration Charges in MAA Contractor Price Comparisons (Dallas)

Customer	Actual result, including reconfiguration charge	Result if reconfiguration charge were not included	
		Result	Change in outcome
1	Southwestern Bell	AT&T	Yes
2	Southwestern Bell	AT&T	Yes
3	Southwestern Bell	AT&T	Yes
4	Southwestern Bell	AT&T	Unknown ^a
5	AT&T	AT&T	No
6	Winstar	Winstar	No
7	Southwestern Bell	AT&T	Unknown ^a
8	Southwestern Bell ^b	Southwestern Bell	No
9	Southwestern Bell ^b	Southwestern Bell	No
10	Southwestern Bell	Southwestern Bell	No

Source: GAO, GSA.

Note: GAO analysis of GSA data.

Southwestern Bell was the incumbent telecommunications service provider. Comparisons are ordered chronologically by date of first task order award issued following each associated fair consideration decision.

^a Task order awarded based on price and technical considerations.

^b Analysis used reconfiguration estimate based on 25 percent of lines. In all other cases, the basis was 10 percent of lines.

These variations exist because GSA has not established a common process for making fair consideration decisions. GSA did provide guidance on the fair consideration process to be followed in MAA cities following each contract award. This guidance provided general background, including the basis of the requirement in the Federal Acquisition Streamlining Act of 1994; the exceptions to this requirement; and the procedure to be followed for issuing an MAA task order. However, it did not outline a common process or identify common costs to be considered other than contract prices. Rather, according to a GSA official, GSA permitted its regional offices to define and follow their own fair consideration processes in order to encourage innovation and to learn which process yields the best results. However, GSA headquarters has taken no action that would permit it to learn from any such experiences in order to address inconsistencies and determine the most suitable process. As a result, variations occur in the application of the fair consideration process, contrary to GSA's stated interest in ensuring the consistency of the MAA program.

Further, these variations led to a lack of transparency that could hinder GSA's ability to obtain full value from the fair consideration process. Specifically, although the MAA contracts outline the fair consideration procedure in broad terms, they do not outline specific aspects of the process that vary across MAA cities, such as costs that may be considered by the government in addition to the price of services, or the length of time that may be used to compare contractor prices. Because these aspects of the process are not disclosed, the contractors may find it difficult to determine their most competitive offers.

GSA's lack of oversight also hampered its ability to ensure that its fair consideration processes always complied with appropriate federal acquisition guidelines. Specifically, in six instances GSA violated the FAR by incorrectly using agency preference as a basis, in part or as a whole, for selecting a contractor for an MAA task order. According to this regulation, designating preferred awardees is not permissible in the award of task orders valued at more than \$2,500. For orders that exceed that threshold, all contractors in a multiple-award contract must be given a fair opportunity to be considered. However, we identified six cases in Boston, Dallas, Denver, and Indianapolis where decisions explicitly cited agency preference as a factor for choosing a contractor for task orders above the \$2,500 threshold.¹¹ These violations of the FAR were allowed to occur because GSA did not provide adequate oversight to ensure that staff were correctly applying regulations when conducting fair consideration processes. As a result, the integrity of the fair consideration process could not be ensured, and potential savings were lost. In all six cases the incumbent provider was selected, which was also the higher priced service provider; selecting the lowest priced contractor in these cases would have yielded \$76,000 in additional estimated cost savings to those agencies over the life of the contracts.

¹¹ We identified two additional cases in Boston citing agency preference as a factor; however, because adequate documentation was not maintained, we are unable to determine what services were ordered and therefore whether those decisions breached the \$2,500 threshold.

Numerous Fair Consideration Decisions Were Not Adequately Documented

About one-fifth of GSA's fair consideration decisions were not adequately documented. According to the FAR, documentation of all contractual actions must be maintained in a manner sufficient to provide a basis for decisions reached in the acquisition process, and to provide information for subsequent reviews of those decisions.¹² Out of 483 fair consideration decisions from regional GSA offices in the 11 cities that we assessed, the documentation furnished for 91 (19 percent) did not adequately support the task order award that was made.

One or more of the following four weaknesses were present in documentation for these 91 decisions:

- *An explanation of how the fair consideration decision was made was absent.* Although contracting offices are required by the FAR to maintain documentation sufficient to constitute a complete history of contracting actions, this documentation was not available in 66 of the 483 decisions assessed. Specifically, the documentation of decisions reached during calendar year 2001 in Boston, Denver, Indianapolis, Los Angeles, New York, and St. Louis did not include a stated rationale for the decisions reached. As a result, in these cases it is not possible to determine whether or not the fair consideration decisions reached by GSA were justified. A GSA program officer stated that a decision rationale was not prepared for 53 decisions in Los Angeles and St. Louis that were based on price alone because of a lack of clarity pertaining to documentation requirements for those cases. She also stated that 5 decisions in New York were not documented because of urgency, as those decisions were made shortly after the September 11th terrorist attacks in that city. Further, the GSA program officer stated that a decision rationale was not prepared for the balance of decisions because of administrative oversight.
- *The price analysis did not support the decision reached.* As part of fair consideration decisionmaking, GSA usually included in each task order file an analysis that compared the service prices offered by each contractor over some defined period of time. In Dallas, Denver, and Indianapolis, eight task order awards were justified by price comparisons that did not support the decisions reached. Although price was the sole factor considered in these cases, the lowest priced contractors, as revealed by the price comparisons, were not awarded task orders. GSA's

¹² Contract documentation requirements are outlined in section 4.801 of the FAR. The FAR and Office of Federal Procurement Policy guidance require that task order awards be documented adequately in the contract file to provide a history of the transaction and a complete background for informed decisions at each step in the acquisition process.

decision documentation does not explain why these awards were made to higher priced contractors.

- *Technical factors were cited but not supported.* According to the procedure defined in the MAA contracts, fair consideration decisions may be based on price or on a combination of price, technical factors, and past performance. How these technical factors are weighted depends on the particular circumstances of each decision. Technical factors were cited as the reason for fair consideration decisions, either as a whole or in part, in four MAA cities: Boston, Dallas, Indianapolis, and New York. For three of these cities, Boston, Dallas, and Indianapolis, we were not able to determine how these technical factors were applied to support a total of 20 decisions. Contract documentation for these 20 decisions included a statement that both price and technical factors were considered. However, in one case, the specific factor considered was not identified. In the other 19 cases, the specific technical factor was identified, but the documentation did not specify how it supported the decision reached.
- *Other documentation weaknesses were identified in Boston.* Documentation prepared to support fair consideration decisions in Boston contained two additional weaknesses. In three cases, the decision documentation suggests that not all MAA contractors were included in those fair consideration evaluations, but it does not indicate why not all contractors were considered. Further, the documentation in three other decisions indicates that price was not considered in these cases, although price must be considered in all fair consideration decisions.

In three regional offices, GSA has taken some action to improve its fair consideration documentation. Specifically, in response to concerns that we initially raised during our prior review of early MAA contract implementation efforts,¹³ GSA improved its decision documentation in Cleveland and Indianapolis by including additional analyses and clarifying memorandums in those contract files. In addition, Denver staff have also taken action to correct their files.

Nevertheless, GSA has yet to take nationwide action to improve its fair consideration documentation. Currently, weak documentation of fair consideration decisions makes it difficult to determine the basis upon

¹³ The results of that review were reported earlier: U.S. General Accounting Office, *Telecommunications: GSA Action Needed to Realize Benefits of Metropolitan Area Acquisition Program*, [GAO-02-325](#) (Washington, D.C.: Apr. 4, 2002).

which a contractor was selected for a task order. These problems were permitted to occur because GSA did not establish uniform guidelines to ensure that all regional offices were documenting fair consideration decisions in a manner consistent with the FAR. As a result, in 19 percent of the cases we reviewed, GSA, customer agencies, MAA contractors, and the Congress do not have assurance that the procedure followed by GSA to award MAA task orders was properly applied.

Use of Requests for Quotations Produced Mixed Results, but Limited Data Preclude a Thorough Evaluation

In MAA multiple-award cities, GSA attempted to reduce the cost of telecommunications services by asking contractors to submit price quotations to compete for task orders. However, the process had mixed results in the only MAA city in which we could do a partial evaluation. (We could not do a comprehensive evaluation because of limitations in documentation.) For acquiring some types of services, substantial savings were realized by the use of Requests for Quotations (RFQ), but for others, the savings were not sufficient to offset the cost of paying pre-MAA prices during the time taken to complete the process.

GSA's most common approach to selecting contractors for task orders was to issue an RFQ, rather than basing decisions on published contract prices alone: specifically, GSA followed this process in 347 out of the 394 decisions reached in the 11 MAA cities in which fair consideration processes were conducted.¹⁴ Of the 11 cities, GSA issued RFQs to support fair consideration in 8. (In the 3 other cities—Boston, Los Angeles, and St. Louis—the documentation was not sufficient to determine whether GSA issued RFQs.) Denver was the only city, of the 11 reviewed, where GSA staff documented their actions while reaching most fair consideration decisions. As a result, Denver was the only city where we could make an

¹⁴ Documentation in 89 cases was not sufficient to determine whether or not an RFQ process was used.

assessment (although still partial¹⁵) of the cost-effectiveness of the RFQ process. We were not able to comprehensively evaluate the cost-effectiveness of the RFQ process across all 11 MAA cities, or to partly assess processes in any other city, because the documentation maintained was not sufficient for that purpose.

Despite their limitations, data available on the RFQ process in Denver indicate substantial differences in savings realized, depending on the types of local telecommunications services acquired; therefore, this process may not be cost-effective for acquiring all types of local telecommunications services. GSA used its MAA contracts in Denver to acquire two types of services: one type is a large telephone line, known as a trunk, which is used to interconnect a customer-owned switch, called a private branch exchange (PBX),¹⁶ to the contractor's network; the second type is a voice telephone line served by a switch that is owned and operated by the contractor. According to our evaluation of Denver's records for 119 fair consideration decisions¹⁷ that preceded award of task orders for these two types of services, the benefit of the RFQ process (over the life of the contracts) varied between the two. Specifically, in five of the eight cases where GSA sought to buy PBX trunks, the MAA contractor waived or reduced service initiation charges, reduced its monthly recurring cost, or both (no additional benefits were derived by this process in the three

¹⁵ In general, the complete RFQ process has four segments. In the first segment, GSA prepares and issues the RFQ to the MAA contractors. In the second, the contractors prepare and submit their RFQ responses. In the third, GSA reviews and accepts the RFQ responses. Finally, GSA compares contractor prices and awards task orders. The documentation in 40 of 121 cases in Denver was not sufficient to allow a complete assessment, because it did not permit us to determine the time it took to complete all discrete segments of the process, such as the time to compare contractor prices, which would be essential to a complete assessment. Because of this limitation, we could not comprehensively evaluate this process, nor can we present results in precise terms. In 2 of the 121 decisions, sufficient data were not available to permit any analysis. The available data for the other 119 decisions do suffice, however, to permit general observations. Additional information on our methodology is disclosed in appendix II.

¹⁶ A private branch exchange (PBX) is a communications switching system serving an organization and normally located on the organization's premises.

¹⁷ Denver made 128 fair consideration decisions, but they issued RFQs to contractors in only 121 of those decisions. In 2 of those 121 decisions, sufficient data were not available to permit any analysis.

other cases). For PBX services, the net savings were substantial—an estimated \$790,000.¹⁸

In contrast, for switched voice services, the benefits of using the RFQ process were less substantial, and the available data suggest that they were not sufficient to offset the savings deferred while the process was completed. In 23 of 111 cases, additional cost or price reductions were obtained in the form of waived or reduced service initiation charges that did offset the value of savings deferred. However, in 88 cases, the benefit realized did not offset the deferred savings. Thus, using the RFQ process to acquire all switched voice services instead of taking immediate advantage of low MAA contract prices was not cost-effective.

GSA was not able to maximize the value of the RFQ process for the benefit of its customers, however, because it did not institute performance measures that would allow it to gauge cost-effectiveness and determine where the RFQ process would be most suitable for acquiring local telecommunications services, or that would aid in identifying where its processes could be improved. Furthermore, because adequate documentation of fair consideration decisions was not maintained throughout this program, GSA does not have the data it would need to evaluate its processes throughout its MAA cities and to make improvements. As a result, GSA is unable to direct the most suitable and cost-effective use of the RFQ process in the administration of its MAA contracts.

Conclusions

Inconsistencies in GSA's process and practices for determining how it awards MAA task orders to its contractors are hampering its ability to

¹⁸ To estimate net savings, we identified those fair consideration decisions where the government benefited either through waived or reduced service initiation charges or through further reductions in contract pricing, and we estimated the total value of these benefits. In all cases, we then estimated the value of monthly savings deferred until the RFQ process was completed. We evaluated the difference between these two figures to determine the net cost or net savings associated with the RFQ process. In 40 of the 119 decisions evaluated, complete data were not available regarding the final segment of this process (3 cases pertaining to PBX service and 37 cases pertaining to switched voice services). In those cases, we assumed that the process was completed at the same time that GSA received the final contractor RFQ response. Because this assumption may reflect a shorter time period than use of an actual process completion date for these cases, the effect of this assumption is to minimize the value of savings deferred, and as a result, our estimates may overstate the potential net savings and may understate any potential net loss. The value of net savings is expressed in constant year 2001 dollars.

appropriately administer these contracts; because these inconsistent processes are not transparent, contractors may not be able to compete most effectively. In addition, weaknesses in documenting fair consideration decisions and inadequate oversight of the process undermine GSA's ability to assure customer agencies, MAA contractors, and the Congress that the procedures it followed to award MAA task orders were always appropriately and fairly applied. Further, because it did not establish measures that would enable it to learn from the fair consideration experiences in its regional offices, GSA was unable to gauge the cost-effectiveness of RFQ processes so that it could make the most suitable and effective use of RFQs to acquire local telecommunications services. As a result, GSA cannot provide assurance that its MAA fair consideration processes are sound, and that they provide the government the maximum benefit from the MAA contracts.

Recommendations for Executive Action

We recommend that the Administrator of General Services establish a common process for GSA to consistently follow in reaching its fair consideration decisions under the MAA contracts, and that he direct the FTS Commissioner to oversee the proper application of this process. This common process should include a uniform time frame for comparing MAA contractor prices, and it should specify the cost elements (such as reconfiguration costs) to be considered in those comparisons. Should local conditions warrant deviation from this common process, we recommend that GSA document these deviations and communicate them to GSA's MAA contractors, so that all MAA stakeholders have a clear and consistent understanding of the process being followed. This process should include the management oversight necessary to ensure adherence to the FAR prohibition against the use of agency preference in decisions on task orders valued at more than \$2,500.

We also recommend that the Administrator of General Services direct the FTS Commissioner to establish and apply uniform guidelines for documenting fair consideration decisions that are sufficient to ensure that GSA appropriately reaches its decisions to award task orders. For each fair consideration decision, this documentation should include

- the rationale for the decision;
- the supporting contractor price comparison; and
- support for other factors considered in reaching the decision, such as technical and past performance considerations, as appropriate.

We further recommend that the Administrator of General Services direct the FTS Commissioner to develop performance measures to determine when the RFQ process best achieves program goals. Once GSA has outcomes for these measures, it should evaluate the results of its RFQ process to identify potential improvements and to determine its most suitable and cost-effective use.

Agency Comments and Our Evaluation

In written comments on a draft of this report, the Administrator of General Services agreed with our recommendations and indicated that GSA was acting to implement them. Specifically, GSA has created draft guidance on its fair consideration process under MAA procurements, and it plans to disseminate this guidance to all its FTS regional offices by April 11, 2003. According to the Administrator, this guidance addresses all our recommendations and will ensure consistency in the fair consideration process and supporting documentation. GSA also provided technical comments that we have incorporated into this report as appropriate. GSA's written comments are presented in appendix III.

As agreed with your office, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from its issue date. At that time, we will send copies of this report to the Ranking Minority Member, Committee on Government Reform, and interested congressional committees. We will also send copies to the Director of the Office of Management and Budget and the Administrator of the General Services Administration. Copies will be made available to others on request. In addition, this report will be available at no charge on our Web site, at <http://www.gao.gov>.

Should you or your staff have any questions on matters discussed in this report, please contact me at (202) 512-6240. I can also be reached by E-mail at koontzl@gao.gov. Other key contributors to this report are Scott Binder, Harold Brumm, Barbara Collier, Kevin E. Conway, Frank Maguire, Mary Marshall, Charles Roney, and Michael Stiltner.

Sincerely yours,

A handwritten signature in black ink that reads "Linda D. Koontz". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Linda D. Koontz
Director, Information Management Issues

Appendix I: Termination Charges and Service Initiation Charges

At your request, we evaluated the effect of contract termination charges and contract service initiation charges (SIC)¹⁹ on the results of fair consideration decisions for awarding task orders in cities with multiple-award Metropolitan Area Acquisition (MAA) contracts. Under acquisition contract law, agencies are permitted to consider termination charges and SICs in contract award decisions.

Our analysis of termination charges showed that they had minimal impact on fair consideration decisions. The General Services Administration (GSA) included these charges in 16 contract price comparisons in Dallas, the only city in which they were relevant.²⁰ Termination charges had a direct effect on 5 of 16 fair consideration decisions; in other words, those 5 decisions might have resulted in an award to another contractor if Dallas had not included the termination charges as part of its contract price comparisons.²¹

Our analysis of SICs showed that they were included as a cost factor in GSA's fair consideration price comparisons in 7 of 11 MAA cities: Boston, Cleveland, Dallas, Indianapolis, Minneapolis, New York, and Philadelphia. In these 7 cities there were 272 fair consideration decisions that included SICs in price comparisons, and SICs were a deciding factor in 61 of these decisions. That is, if SICs had not been part of GSA's analyses, the award decision would have been issued to another contractor in 22 percent of those decisions. SICs did not affect more decisions primarily because of the period of time used in comparing contractor prices. In 90 percent of fair consideration decisions where SICs were identified as a cost factor, GSA used the contract life-cycle period as the evaluation time frame. When SICs were amortized over the life of the contract, these charges were usually not large enough to influence fair consideration decisions.

¹⁹ Service initiation charges are charges to a customer by a contractor for the initiation of a new telecommunications service, such as the acquisition of a new line or a new feature.

²⁰ Contract termination charges were a factor in Dallas because termination charges were part of a Southwestern Bell Aggregated Switch Procurement (ASP) contract that was awarded before the MAA contracts. That contract imposes a \$25.90 charge to disconnect each line from the ASP service when the customer transitions to a contractor other than Southwestern Bell. (Specifically, the contract identifies a charge of \$19.92 per line. After applying its surcharge to that amount, GSA charges the agency a disconnect charge of \$25.90.)

²¹ Three of these decisions were based on price alone, and two were based on price and technical considerations. It is unclear from the decision documentation, however, how technical considerations supported these decisions.

For the balance of the decisions, SICs were not included in price comparisons, the treatment of SICs could not be determined, or cost comparisons were not completed:

- In all 44 decisions in Los Angeles and in 9 decisions in Boston, no SICs were included in fair consideration price comparisons.
- Contract price comparisons were not completed to support four fair consideration decisions in Boston, one in Philadelphia, and one in Atlanta, because only one MAA contractor was responsive to their RFQs. A contractor price comparison was also not completed to support one fair consideration decision in New York City, where the award was based on the urgency of the requirement.
- In all nine decisions in St. Louis, seven decisions in Boston, five decisions in New York City, and two decisions in Indianapolis, we could not determine whether SICs were used in making fair consideration decisions because the documentation was not sufficient to permit us to make that determination.

In the remaining MAA city, Denver, SICs were not included in comparisons of contractor prices; only monthly recurring charges were included for comparison purposes. However, in 22 of its 128 price comparisons in Denver, GSA did cite the value of SICs in recommending that task order awards be made to contractors with a higher monthly recurring cost for services, because the agency could save more money over the contract life; we verified the accuracy of those analyses. To show the total cost of the MAA service in those cases where the recommended contractor charged SICs, GSA staff in Denver disclosed these charges as a separate item in the decision results presented to customer agencies. This disclosure was an amortization analysis indicating the time that it would take for monthly MAA contract savings to amortize that one-time cost.

Appendix II: Objectives, Scope, and Methodology

In our review of the Metropolitan Area Acquisition (MAA) contracts managed by the General Services Administration (GSA), our objectives were to determine (1) whether GSA's fair consideration process varies within or among cities, and if so, whether or not variations affect the process results; (2) whether GSA's documentation properly and appropriately supports its fair consideration decisions; and (3) whether the use of Requests for Quotations in the fair consideration processes followed by GSA is cost-effective. We also determined whether contract termination charges and service initiation charges affected GSA's fair consideration decisions.

We reviewed all fair consideration decisions made by GSA during calendar year 2001 as part of the MAA contracts' service ordering process. To determine whether there were variations in the fair consideration process, we reviewed the fair consideration procedure outlined in the MAA contracts, applicable acquisition guidelines, and GSA Federal Technology Service guidance and direction on the fair consideration procedure. Using the decision documentation maintained by the GSA regional offices, we then reviewed the steps taken by those offices in conducting their fair consideration processes. We gathered and assessed documentary and testimonial explanations for variations within or among MAA regional offices in their fair consideration processes.

To determine whether GSA's documentation properly and appropriately supports its fair consideration decisions, we reviewed appropriate federal contract administration guidelines including the Federal Acquisition Regulation (sections 4.801 and 16.505) and Office of Federal Procurement Policy guidance (May 4, 1999, Memorandum for Agency Senior Procurement Executives regarding "Competition and Multiple Award Task and Delivery Order Contracts"), as well as MAA contract language outlining the fair consideration procedure. We then reviewed the documentation maintained by GSA's regional offices to support fair consideration decisions. This documentation included, where available, contractor price information, GSA's analyses that compared contractor prices, and other memorandums supporting and documenting the decision process. We also reviewed the task order documentation prepared by GSA following its fair consideration decision, in order to match the service ordered with the decision reached.

To determine whether the use of Requests for Quotations (RFQ) in the fair consideration processes followed by GSA is cost-effective, we reviewed regional offices' documentation to determine whether data were available that would permit the evaluation of time taken to complete the fair

consideration process. Following our review of the documentation, we selected Denver as a multiple-award MAA city where the documentation available was sufficient to permit evaluation of key aspects of that process, such as determining the approximate time taken to complete the RFQ process and the benefits derived from that additional competition. Specifically, we used data regarding the RFQ issue date and the date when Denver completed its analysis to determine the time taken to complete that process in the 79 decisions where those data were available. In the 40 other decisions where data were not available regarding the complete process (3 cases pertaining to PBX service and 37 cases pertaining to switched voice services), we assumed that the process was completed at the same time that GSA received the final contractor RFQ response.²² We also examined documentation to determine, for each decision, any additional benefit realized as a result of the RFQ process, such as lowered monthly prices or waived or reduced service initiation charges. Where data were available to determine whether the value of benefits derived from the RFQ process justified the time required to complete that process, we compared pre-MAA prices for services with MAA prices, in order to calculate a baseline savings provided by the MAA contracts. We then evaluated the cost of the RFQ process exclusively in terms of the monthly savings that were deferred until the fair consideration process was completed. We did not include the labor cost expended by GSA or its MAA contractors in completing this process.

To determine the effect of contract termination charges and service initiation charges on fair consideration decision results, we reviewed the price comparisons that were prepared by GSA regional offices. Where applicable, we calculated prices for services with and without these additional charges to determine whether the decision supported was influenced by these charges.

²² Because this assumption may reflect a shorter time period for these cases, the effect of this assumption is to minimize the time taken to complete the RFQ process, and therefore the value of savings deferred during that period. As a result, our estimates may overstate the potential net savings and may understate any potential net loss.

We conducted our review from May 2002 through February 2003, in accordance with generally accepted government auditing standards.

Appendix III: Comments from the General Services Administration



GSA Administrator

March 31, 2003

The Honorable David M. Walker
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

Dear Mr. Walker:

Thank you for the opportunity to respond to the General Accounting Office (GAO) draft report entitled: "GSA Needs to Improve Process for Awarding Task Orders for Local Services." The report addressed three primary areas: whether GSA's implementation of the fair consideration process is consistent, the effect of any inconsistency, and the adequacy of GSA's documentation to support the decisions reached.

Prior to responding to the recommendations, I would like to outline some significant factors that impacted our efforts as we undertook the implementation of the Metropolitan Area Acquisition (MAA) program. The MAA program broke new ground in that it was the first full-scale implementation in the deregulated competitive telecommunications marketplace; therefore, it was the first true multi-vendor environment in the local telecommunications arena. This environment was new for the Federal Technology Service (FTS), our customers, and our industry partners. It created the need for significant process changes over the pre-MAA environment. The application of fair consideration in the service order process was a significant operational change. GSA has learned a great deal as we have worked through the myriad of issues we faced in this new environment, and we have ongoing efforts underway to continue to improve our management of this program.

Overall, I agree with the GAO recommendations and will implement additional actions to improve our program. In response to the recommendation regarding the establishment of a common process for GSA to consistently follow in reaching its fair consideration decisions under the MAA contracts, GSA has implemented corrective measures. The GSA MAA Program Management Office has created a document entitled "Guidance for Fair Consideration under the Metropolitan Area Acquisition Procurements," which will be disseminated to all FTS regional offices no later than April 11, 2003. The guidance addresses all elements of each recommendation. This guidance will ensure consistency in the fair consideration process and in supporting documentation.

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
Telephone: (202) 501-0800
Fax: (202) 219-1243
www.gsa.gov

- 2 -

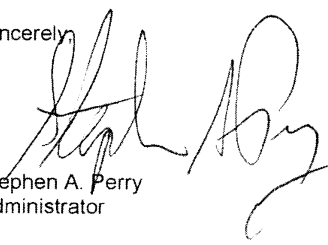
Regarding the six instances cited in your report where "GSA violated the Federal Acquisition Regulation (FAR) by incorrectly using agency preference as a basis...for selecting a contractor for an MAA task order," there often is an acceptable underlying reason for a customer to request a particular service provider, however, it may not be properly articulated and reflected in documentation. We are confident that the aforementioned guidance, which specifically reminds our organizational components that agency preference cannot be a criterion for an award, will ensure future FAR compliance.

I agree with the GAO recommendation regarding the establishment and application of uniform guidelines for documenting fair consideration decisions. The aforementioned fair consideration guidance outlines the documentation requirements for all decisions. The guidance addresses all elements of this recommendation and will ensure uniformity and thoroughness of documentation as we move forward in the MAA program. The MAA Request for Proposal and early implementation documents did not clearly state the documentation requirements for decisions that were solely based on lowest contract price. For this reason, approximately 40 percent of the decisions cited in your report were inadequately documented but were clearly awarded to the lowest cost service provider. The guidance specifically addresses the documentation requirements for decisions based solely on lowest contract price.

I also agree with the GAO recommendation regarding the value of determining when the Request-for-Quote (RFQ) process best achieves program goals. We have begun an initial assessment to identify and summarize the conditions for which an RFQ would produce the most favorable results. Upon completion of this assessment, we will determine appropriate guidance to be disseminated to the FTS regional offices that addresses the RFQ process. In the interim, the fair consideration guidance document advises regional officials to assess the cost/benefit of the RFQ process prior to issuance.

In conclusion, Ms. Sandra N. Bates, Commissioner, Federal Technology Service, and I want to thank the GAO Review Team for their professionalism and their recommendations. The depth of the review and the willingness of the GAO Review Team to delve below the surface of issues have contributed to the continued success of the MAA program. As we approach 100 percent MAA transition completion, we are very proud of the MAA program and the many benefits it has brought to our Federal customers.

Sincerely,


Stephen A. Perry
Administrator

GAO's Mission

The General Accounting Office, the audit, evaluation and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through the Internet. GAO's Web site (www.gao.gov) contains abstracts and full-text files of current reports and testimony and an expanding archive of older products. The Web site features a search engine to help you locate documents using key words and phrases. You can print these documents in their entirety, including charts and other graphics.

Each day, GAO issues a list of newly released reports, testimony, and correspondence. GAO posts this list, known as "Today's Reports," on its Web site daily. The list contains links to the full-text document files. To have GAO e-mail this list to you every afternoon, go to www.gao.gov and select "Subscribe to daily E-mail alert for newly released products" under the GAO Reports heading.

Order by Mail or Phone

The first copy of each printed report is free. Additional copies are \$2 each. A check or money order should be made out to the Superintendent of Documents. GAO also accepts VISA and Mastercard. Orders for 100 or more copies mailed to a single address are discounted 25 percent. Orders should be sent to:

U.S. General Accounting Office
441 G Street NW, Room LM
Washington, D.C. 20548

To order by Phone: Voice: (202) 512-6000
 TDD: (202) 512-2537
 Fax: (202) 512-6061

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Public Affairs

Jeff Nelligan, managing director, NelliganJ@gao.gov (202) 512-4800
U.S. General Accounting Office, 441 G Street NW, Room 7149
Washington, D.C. 20548