



## The OIG & MAS



# *Presentation Topics*

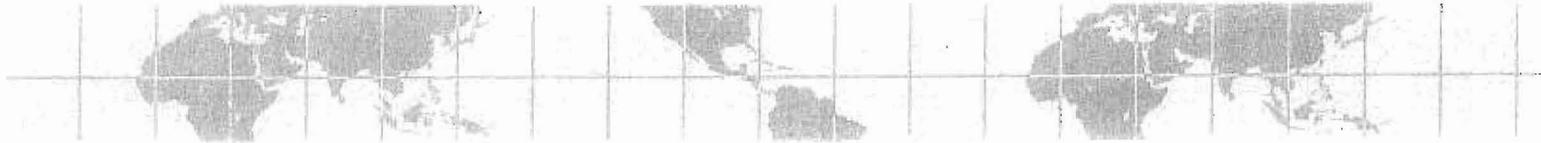


- MAS Program History and Policy
- Preaward MAS Audit Overview
- Results of Preaward MAS reviews
- Examples of MAS pricing
- MFC and Price Reduction clause issues



# *MAS Program History and Policy*

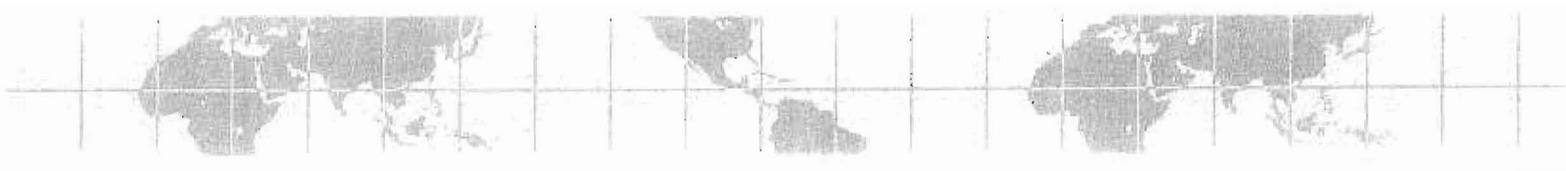
- 1949 Act Establishing GSA
  - Centralizes Government procurements
  - Leverages the Government's buying power
- 1982 GSA MAS Policy Statement establishing Most Favored Customer policy
- GSAM/GSAR requires COs to target
  - Most Favored Customer pricing
  - GSAM Part 538



# *MAS Program History and Policy*

## ● FAS web site on MAS:

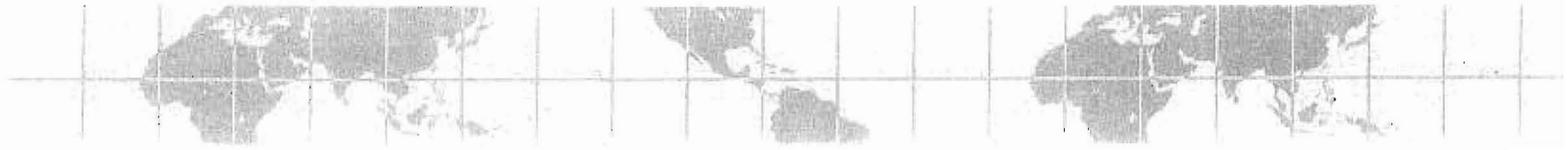
- "GSA Schedule contracts are negotiated with the intent of ***achieving the contractors' "most favored customer" pricing/discounts*** under similar conditions."
- "GSA Schedules offer customers direct delivery of millions of state-of-the-art, high-quality commercial supplies and services ***at volume discount pricing***. The Schedules & Other Supplies & Services page lists commercial supplies and services available under GSA Schedules and other GSA contracts. All customers, even those in remote locations, can order the latest technology and quality supplies and services, conveniently, ***and at most-favored customer prices.***"



# *MAS Program History and Policy*

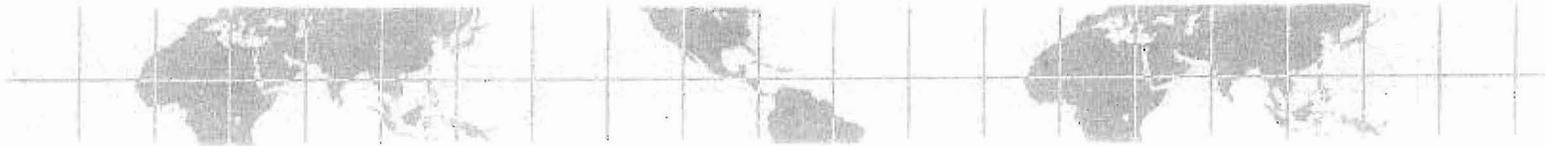
## ● FAS web site on MAS:

- "Orders placed against GSA Multiple Award Schedule (MAS) contracts, using the procedures in Federal Acquisition Regulation (FAR) 8.4, ***are considered to be issued using full and open competition*** (see FAR 6.102(d)(3)). ***Ordering activities shall not seek competition outside of GSA Schedules or synopsise the requirement.*** In addition, ***ordering activities are not required to make a separate determination of fair and reasonable pricing***, except for the price evaluation required by FAR 8.405-2(d) when ordering services requiring a statement of work."



# *Preaward MAS Audit Overview*

- What the OIG does



# *Types of MAS Reviews Conducted by the OIG*



## ● **Preadward Reviews**

- Take place either before an initial contract is awarded or before exercising an option
- Provide the CO with vital and current information for contract negotiations

## ● **Postaward Reviews**

- Review price reductions, overbillings, IFF and contract terms and conditions



## *Preaward Reviews*

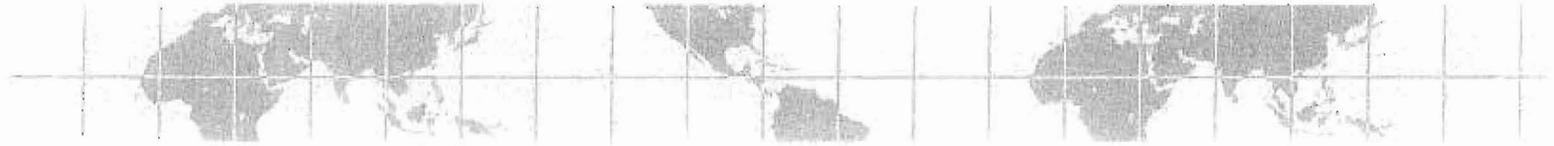
- ⊕ A review of a company's proposal/offer
- ⊕ Submitted in response to a solicitation or to extend the contract
  - ▣ For the delivery of goods and/or services
    - At offered prices, terms and conditions
    - For a specified period of time



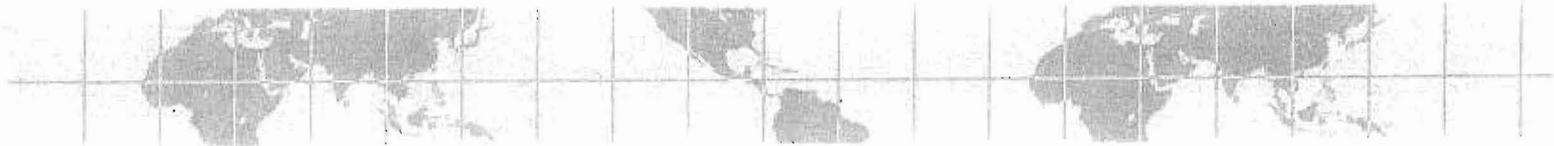


## *Preaward Reviews (cont)*

- Reviews are conducted prior to negotiation and award
- Majority of the OIG preawards are conducted for contract extensions



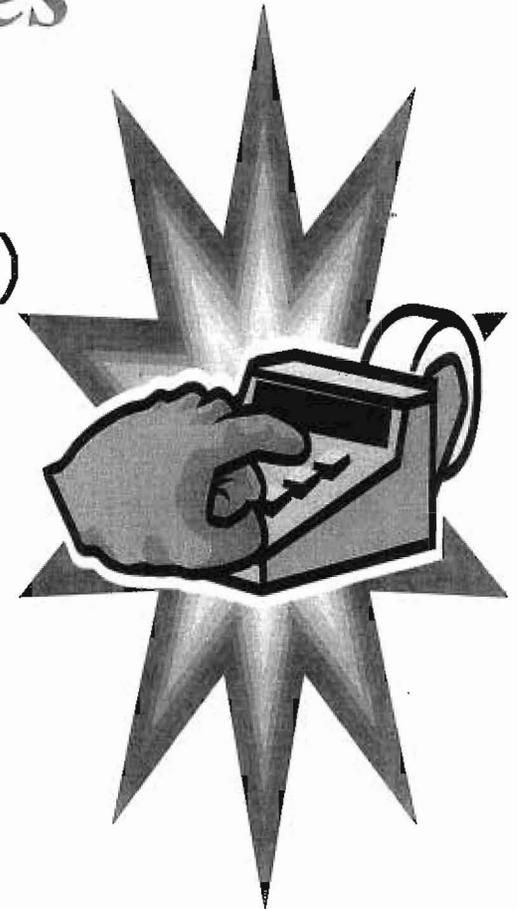
# *The Preaward MAS Review Process*



## *Preaward Review Objectives*

To determine whether:

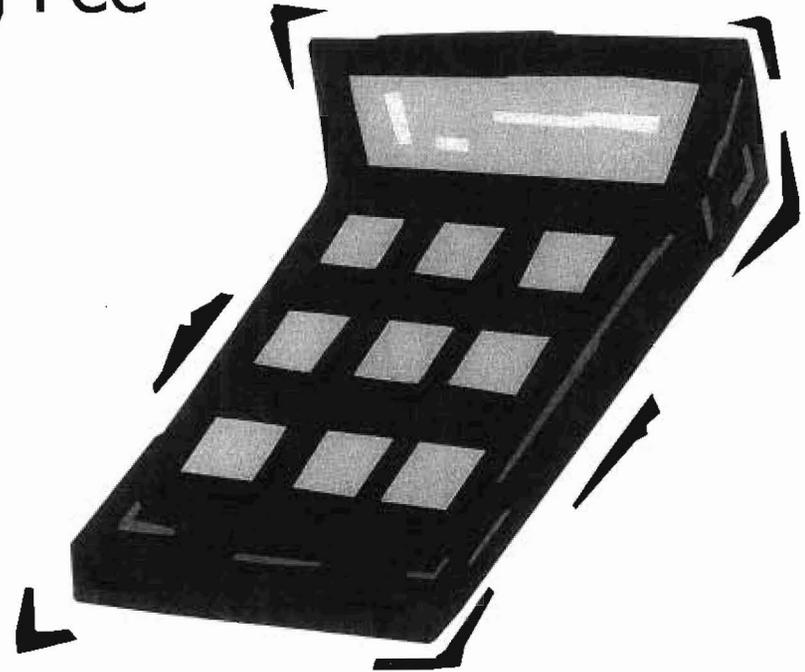
- The Commercial Sales Practices (CSP) information submitted by the company is current, accurate and complete
- The company's sales monitoring and billing systems will ensure proper administration of the price reduction provisions and billing terms of the contract

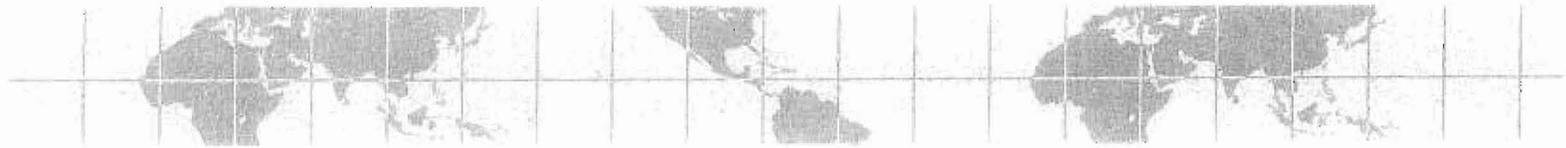




## *Preaward Review Objectives (cont)*

- The company can adequately accumulate and report schedule sales for Industrial Funding Fee (IFF) payment purposes

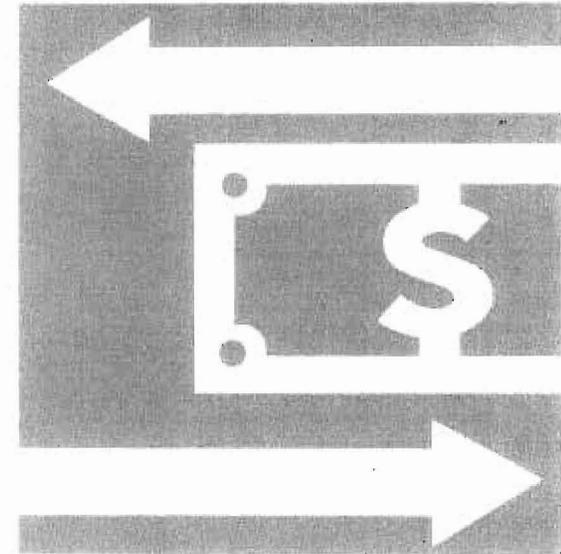


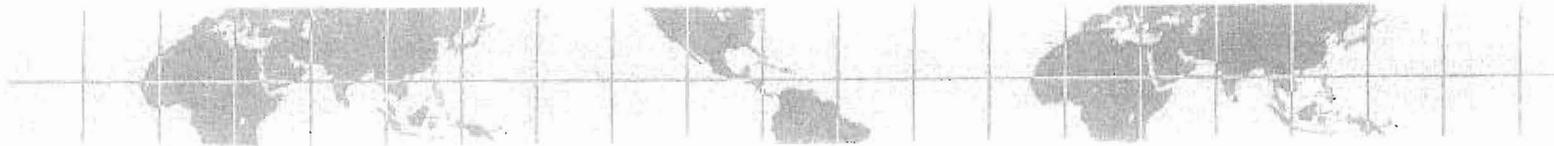


## *Preaward Review Objectives (cont)*

NOTE: The following objectives apply only to services views

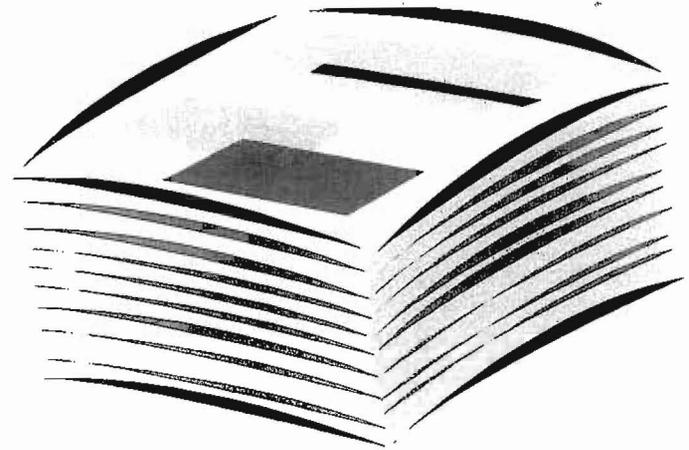
- Employees are qualified for the labor position to which they are assigned
- The company has an adequate accounting system for the segregation and accumulation of labor hours, materials, and other direct costs (ODCs) on time-and-materials task orders





## *Typical Preaward Findings*

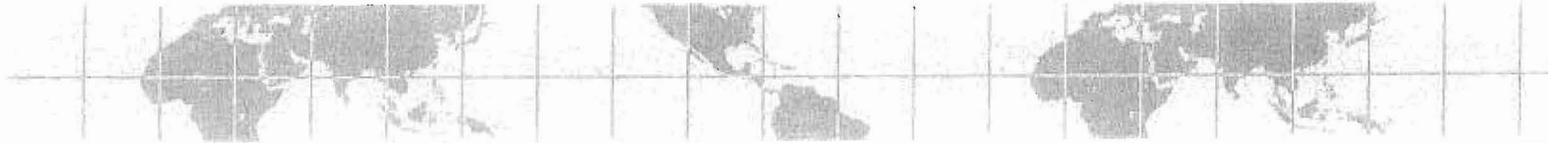
- ⊕ CSP is not accurate, complete and/or current
- ⊕ MFC pricing not disclosed
- ⊕ A full range of commercial discounts, terms and conditions more favorable than those offered to GSA not disclosed





## *Typical Preaward Findings (cont)*

- Inadequate controls and procedures to properly monitor the price reduction and billing provisions of the contract
- Inadequate controls and procedures to identify and report all GSA schedule sales



## *Typical Preaward Findings (cont)*

### **Services Reviews Findings:**

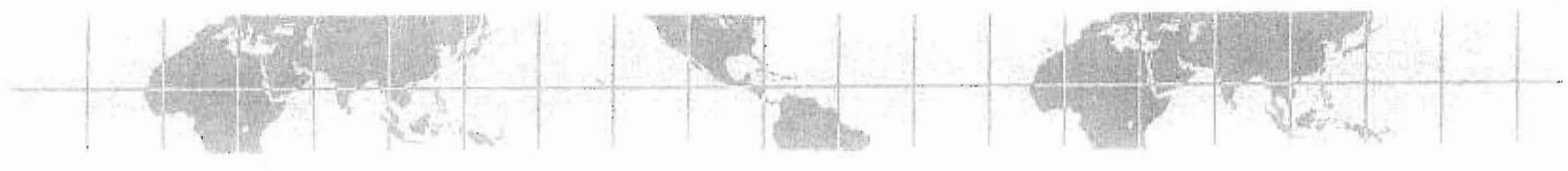
- Employees do not meet the education and work experience for the labor positions billed
- Commercial pricelist used as the basis of award is not used by the vendor
- MAS labor categories do not map to the vendor's labor categories used on the non-MAS jobs



# *Summary of FY 2007 Review Results*

## **Review Results**

	<b><u>%</u></b>
The CSP was not Current, Accurate and Complete	70%
GSA was not offered MFC Pricing	71%
The Review Found:	
-Unreported Price Reductions	34%
-An Ineffective Price Reduction Clause	48%
The vendors' systems were not adequate	34%



## *Contract Audits Results:*

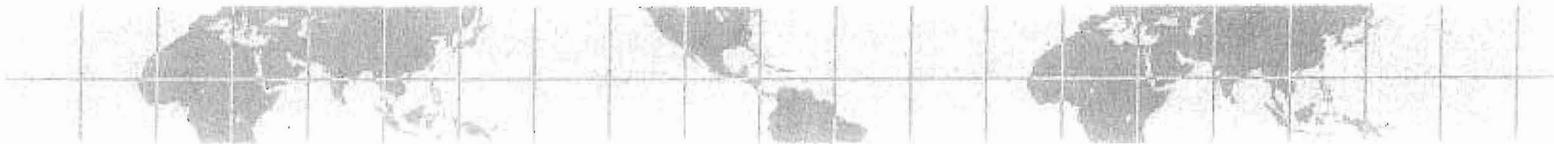
	Prewards			Postwards		
	No. of Audits	\$ Audited	Cost Avoidance	No. of Audits	\$ Audited	Recoveries
FY 2005	60	\$10.4 B	\$1.0 B	13	\$1.2 B	\$ 7.5 M
FY 2006	76	\$ 8.8 B	\$ .9 B	10	\$ .3 B	\$10.6 M
FY 2007	68	\$16.6 B	\$ .9 B	13	\$ .8 B	\$42.3 M

NOTE: Postward Recoveries do not include the \$98.5 million Oracle/PeopleSoft defective pricing recovery



## *Examples of MAS Pricing Findings*

- Examples of typical MAS contract review findings
  - ❑ MFC pricing was not disclosed by the vendor and was identified by the audit
  - ❑ MFC pricing was not achieved in negotiations
  - ❑ The price reduction clause negotiated by GSA provides little or no price reduction protection for the Government



## *Example 1 – Typical Example- MAS Product Audit Results*

<b>Type of Customer</b>	<b>Discount</b>	<b>Annual Volume</b>
MFC Customer	50%	\$10 million
Client Agency BPA	30%	\$1 million
GSA MAS	20%	\$100 million



## *Example 1 – Typical Example- MAS Product Audit Results*

- ❖ GSA is often the vendor's largest single customer
- ❖ Ineffective Price Reduction clause
- ❖ Burden is on individual agencies to negotiate more favorable discounts at the order level
- ❖ Costs the taxpayers millions of dollars



## *Example 2 – Typical Example-MAS Services Audit Results*

- ❑ Many services vendors have no commercial sales of GSA labor categories
- ❑ Vendor cannot map GSA labor categories to other non-GSA task orders
- ❑ No viable price comparisons available
- ❑ Cost analysis (cost build-up) typically shows lower rates than the proposed GSA labor rates
- ❑ COs hesitant to use cost analysis information in negotiations with vendor



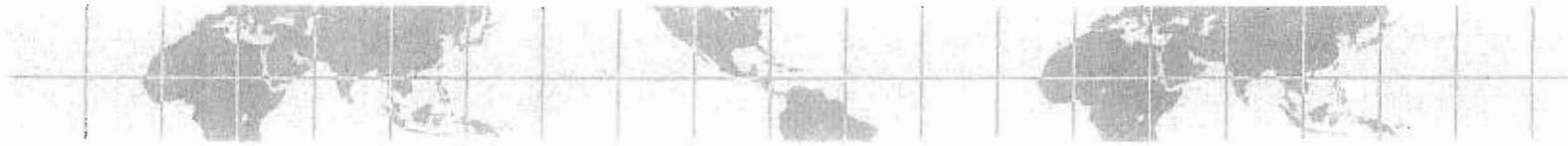
## *Example 2 – Typical Example-MAS Services Audit Results*

- ❑ Many MAS services contracts reviewed have no price reduction clause
  - Many MAS contractors reviewed have only Federal sales
    - GSAM precludes using Fed customer as PR trigger
- ❑ Costs the taxpayers millions of dollars
  - Burden is on the using agencies to negotiate favorable pricing on an individual task order basis



## *Summary*

- Many CSPs do not have full disclosure of commercial practices and policies
  - What about the ones we don't audit?
  - We only review about 10% of MAS sales dollars
- Even when we identify MFC by audit it is not often achieved
- MAS price not at MFC level puts the burden on the agencies to negotiate with the vendor
  - Individual client agencies purchases are not able to leverage advantages of total Government purchasing power



# *Questions:*