



U.S. General Services Administration

Federal Acquisition Service

Understanding Order-Level Materials (OLMs)



Introduction



Why OLMs are Needed

- It is cumbersome for the ordering activity to add non-Schedule supplies or services to a task or delivery order under FAR 8.402(f) procedures
- Increases the flexibility of obtaining supplies/services necessary to support task or delivery orders issued against GSA Schedules.
- Reduces administrative costs related to contract duplication
- Reduces transaction costs by eliminating the need for additional contracts for ancillary work or materials



Background

- GSA utilized its authority to establish special ordering procedures for the FSS program to promulgate the OLM rule as a special ordering procedure authorized by [FAR 8.403\(b\)](#)
- The rule was effective on January 24, 2018
- See <https://www.federalregister.gov/d/2018-01232>

Other Direct Costs

- OLMs are other direct costs (ODCs) that are procured under the OLM SIN and become Schedule items at the order level.
- ODCs may also be acquired through:
 - Open-market procedures (FAR 8.402(f))
 - Ancillary SINs
 - FAR 51 Deviation authority
 - Contractor Team Arrangements (CTAs)
- The new OLM authority will be the most streamlined method of acquiring OLMs in most scenarios

Order Level Materials

- OLMs are supplies or services acquired in direct support of a task or delivery order placed against an FSS contract or BPA
- Prices are **not** established on the FSS contract or BPA
- Prices **are** established at the *order level* and the ordering activity contracting officer (OCO) is responsible for making a fair and reasonable price determination
- Purchased under the authority of the FSS program
 - FAR 8.403(b)

Open Market Items

- Items not on a Federal Supply Schedule
- These items can only be added to an FSS order pursuant to FAR 8.402(f)
- IFF does not apply

Ancillary Items

- Supplies/services **not** within the scope of any other SIN on the Schedule
- **Not the *primary*** purpose of the order, but an integral part of the solution
- Items that can be defined and priced ***up-front*** at the FSS contract level
- IFF applies

Definitions (cont)

Other Direct Costs

- Costs not previously identified as direct material cost, direct labor cost, or indirect cost
- e.g., incidental services for which there is not a labor category specified in the contract, computer usage charges etc.

Indirect Costs

- An indirect cost is any cost not directly identified with a single, final cost objective, but identified with two or more final cost objectives or an intermediate cost objective. It is not subject to treatment as a direct cost

Rule Overview

The GSAR rule clarifies the authority to acquire OLMs when placing an order or establishing a BPA against an authorized FSS contract.

- Adds flexibility to easily acquire OLMs with adequate management controls
- Agencies can better utilize the Schedules program, rather than conduct separate open market procurements
- Reduces duplicative and inefficient contracts
- Enhances competition under the Schedules program by reducing incurred proposal costs to be awarded to other commercial IDIQs

Summary of GSAR Changes

Amends GSAR 515, 538, and 552:

- Removes the requirement to complete a Commercial Sales Practice (CSP) for OLMs
- Adds a new subpart to clarify authority to acquire OLMs
- Authorized under eight Schedules
- Adds instructions to COs to use FAR 52.212-4 Alt I for authorized Schedules
- Adds a new GSAR clause, Special Ordering Procedures, including a set of controls to manage the use of OLMs

Open Market Items - FAR 8.402(f)

- OLMs are ordered under the OLM SIN pursuant to the procedures prescribed at GSAR 552.238-82.
- The procedures for buying open market items, as prescribed at FAR 8.402(f), are not applicable to items purchased under OLM procedures.
- FAR 8.402(f) must be used when adding open-market items to an FSS order when the items are not covered under OLM procedures. e.g. the items are non-commercial.
- FAR 8.402(f) procedures must be followed when purchasing ODCs for Schedules where the OLM SIN has not been incorporated, either at the Schedule level or on an individual contract.



Authorized Schedules

03FAC	Facilities Maintenance and Management
56	Buildings And Building Materials / Industrial Services and Supplies
70	Information Technology
71	Furniture
84	Security, Fire, & Law Enforcement
00CORP	Professional Services Schedule
738X	Human Capital Management and Administrative Support Services

See <https://www.gsa.gov/olm>



Item Characteristics

Item Cat	Allowable CLIN Types	FSS Contract Item	IFF Applies	Pricing Determination	Procedure
OLM	T&M / LH	Yes	Yes	Order Level	<u>GSAR 552.238-82</u>
Open Market Item	All	No	No	Order Level	<u>FAR 8.402(f)</u>
Ancillary Item	FFP T&M / LH	Yes	Yes	Schedule Contract Level	<u>GSAR 538.270</u>



Administering Schedules with OLMs

Schedules Refresh

A coordinated refresh / customized mass modification will incorporate the following clauses and provisions:

- FAR 552.212-4 - *Contract Terms and Conditions – Commercial Items* (JAN 2017) (Deviation - FEB 2018)(Alternate I - JAN 2017) (Deviation - FEB 2007)
- [GSAR 552.238-82](#) - *Special Ordering Procedures for the Acquisition of Order-Level Materials* (Jan 2018)
- SCP-FSS-007 - *Special Proposal Instructions for Order-Level Materials Special Item Number* (JUN 2018)



SCP-FSS-007

**SPECIAL PROPOSAL INSTRUCTIONS FOR ORDER-LEVEL MATERIALS
SPECIAL ITEM NUMBER (JUN 2018)**

(a) This Schedule is authorized to allow for order-level materials (OLMs) in accordance with GSAR 538.7201. A listing of all OLM-authorized Schedules is available at www.gsa.gov/olm.

(b) Clauses 552.212-4 *Contract Terms and Conditions - Alternate I* and 552.238-82 *Special Ordering Procedures for the Acquisition of Order-Level Materials* provide additional information on inclusion of OLMs in task and delivery orders placed against a Federal Supply Schedule (FSS) contract or FSS blanket purchase agreement (BPA).



SCP-FSS-007

**SPECIAL PROPOSAL INSTRUCTIONS FOR ORDER-LEVEL MATERIALS
SPECIAL ITEM NUMBER (JUN 2018)**

(c) OLMs are only authorized for inclusion at the order level under Time-and-Materials (T&M) and Labor-Hour (LH) Contract Line Item Numbers (CLINs) and are subject to a Not To Exceed (NTE) ceiling price.

(d) Offerors proposing the Order-Level Materials Special Item Number (SIN) are not required to propose items or pricing, since by definition OLMs are *unknown* at the time of FSS contract award. The ordering activity contracting officer is responsible for defining OLMs and determining proposed OLM pricing fair and reasonable for a particular order.



SCP-FSS-007

**SPECIAL PROPOSAL INSTRUCTIONS FOR ORDER-LEVEL MATERIALS
SPECIAL ITEM NUMBER (JUN 2018)**

(e) OLMs are purchased under the authority of the FSS Program and are not “open market items.”

(f) Items awarded under ancillary supplies/services and other direct cost (ODC) SINs are not OLMs. These SINs are reserved for items that can be defined and priced *up-front* at the FSS contract level.

(g) The Order-Level Materials SIN cannot be the only SIN awarded on a contract. The Order-Level Materials SIN is only authorized for use in direct support of another awarded SIN.

(h) The Order-Level Materials SIN is exempt from CSP-1, *Commercial Sales Practices*, disclosure requirements.



SCP-FSS-007

**SPECIAL PROPOSAL INSTRUCTIONS FOR ORDER-LEVEL MATERIALS
SPECIAL ITEM NUMBER (JUN 2018)**

(i) The Order-Level Materials SIN is exempt from the following clauses:

- *552.216-70 Economic Price Adjustment - FSS Multiple Award Schedule Contracts*
- *I-FSS-969 Economic Price Adjustment - FSS Multiple Award Schedule*
- *552.238-71 Submission and Distribution of Authorized FSS Schedule Pricelists*
- *552.238-75 Price Reductions*



SCP-FSS-007

**SPECIAL PROPOSAL INSTRUCTIONS FOR ORDER-LEVEL MATERIALS
SPECIAL ITEM NUMBER (JUN 2018)**

(j) Terms and conditions that otherwise apply to the FSS contract also apply to the Order-Level Materials SIN. Examples include but are not limited to:

- Trade Agreements Act (TAA)
- Sales reporting and Industrial Funding Fee (IFF) remittance
- Environmental Attributes clauses
- AbilityOne Program Essentially the Same (ETS) compliance

(k) Prices for items billed under the Order-Level Materials SIN must be inclusive of the IFF. The cumulative value of OLMs in an individual task or delivery order cannot exceed 33.33% of the total value of the order.



SCP-FSS-007

**SPECIAL PROPOSAL INSTRUCTIONS FOR ORDER-LEVEL MATERIALS
SPECIAL ITEM NUMBER (JUN 2018)**

(l) There are no administrative, technical, or price proposal requirements for the Order-Level Materials SIN (i.e., Section I - Administrative/Contract Data, Section II - Technical Proposal, and Section III - Price Proposal).

The Order-Level Materials SIN will be awarded when proposed by an offeror, provided that (1) the Schedule is authorized for inclusion of OLMs, and (2) the Order-Level Materials SIN will not be the only awarded SIN under the contract.



Administering Contracts with the OLM SIN

The following clauses **do not** apply to OLMs:

[GSAR 552.216-70](#)

- *Economic Price Adjustment - FSS Multiple Award Schedule Contracts*

[I-FSS-969](#)

- *Economic Price Adjustment - FSS Multiple Award Schedule*

[GSAR 552.238-71](#)

- *Submission and Distribution of Authorized FSS Schedule Pricelists*

[GSAR 552.238-75](#)

- *Price Reductions*



Administering Contracts with the OLM SIN

The following clause and terms apply to OLMs:

- [GSAR 552.238-74](#) - *Industrial Funding Fee and Sales Reporting*
 - Contractors are required to report sales and remit the IFF for all sales under the OLM SIN
- Transactional Data Reporting (TDR) requirements if applicable to the contract
- Other terms and conditions (e.g., TAA, AbilityOne)



Administering Contracts with the OLM SIN

- The OLM SIN may not be the primary purpose of the order
- The cumulative value of the OLM SIN shall not exceed 33.33% of the total value of the order
- The OCO must monitor the order for compliance IAW GSAR 552.212-4 (Deviation - FEB 2018)(Alternate I)(Deviation - FEB 2007) and GSAR 552.215-71
- Industrial Operations Analysts (IOAs) will check OLM compliance during contractor assessments and document the findings in the Contractor Assessment Report

Industrial Funding Fee (IFF)

- All OLMs must include the IFF in the price of each item
 - IFF is not to be added as a separate CLIN
- IFF rate is 0.75% (0.0075)
- IFF is included in the computation of the 33.33% OLM Limitation Amount
- IFF is invisible to the OCO and must not be itemized in a contractor's quotation
- It is the contractor's responsibility to ensure quoted prices include the IFF and that the IFF is properly remitted to GSA

How is the IFF calculated?

- Divide the original unit price by one (1) minus the IFF rate ($1.0 - 0.0075 = 0.9925$) then divide the unit price by 0.9925 to establish the contract price.
 - e.g., a price of $\$198.50 / 0.9925 = \200 .
 - If the contractor makes a sale at \$200, the IFF will be \$1.50.



Placing Orders with OLMs



Ordering with OLMs

- Prepare RFQ – Instructions to Quoters
- Evaluation (See evaluation checklist)
- CLIN Structure
- Determination and Findings (D&F)
- Administer an Order with OLMs
- Monitor Cost Limitations (i.e. OLMs cannot exceed 33.33%)



Preparing an RFQ with OLMs

Instructions to Quoters:

“The government anticipates that order level materials (OLMs) will be included in quotes received in response to this solicitation. GSA Schedule contractors should refer to [GSAR 552.238-82](#) - *Special Ordering Procedures for the Acquisition of Order-Level Materials*, to ensure proper understanding of OLM procedures.”

Ordering – Obtaining Three Quotes

- For each proposed OLM item that exceeds the Simplified Acquisition Threshold, the contractor is required to obtain a minimum of three (3) quotes to support the price reasonableness of the item (see GSAR [552.238-82\(d\)\(7\)\(i\)](#)).
 - If three quotes cannot be obtained, the contractor is required to maintain documentation of the reason.
 - A contractor with an approved purchasing system per [FAR 44.3](#) is exempt from the requirement to obtain three quotes.
 - The three quotes obtained by the contractor must be documented internally and are subject to audit.

Ordering – Fair and Reasonable Pricing

- The OCO must make an independent determination that prices for all proposed OLMs are fair and reasonable.
- This determination must be documented in the contract file and can be based on a comparison of quotes received in response to the RFQ or other relevant pricing information, IAW FAR 15.404 techniques.
- The OCO shall not request access to the three quotes obtained by the contractor except as a last resort, when all other attempts at determining price reasonableness have been exhausted.
- If the OCO determines it necessary to request access to this information, he/she shall document the rationale in the contract file.

Subcontractors at the Order Level

- In accordance with clause 552.212-4 (JAN 2017) (Deviation - FEB 2007) (Deviation - FEB 2018) (ALTERNATE I - JAN 2017)
 - Each order must list separately:
 - Subcontracts for services excluded from the FSS Hourly Rates
 - The elements of other direct costs
 - The fixed amount for the indirect costs and payment schedule (or if no indirect costs are approved, insert “none”).
- The “subcontracts for services excluded from the FSS Hourly Rates” referenced in 552.212-4(e)(iii)(D) are reserved for services that are:
 - Not part of the FSS contract
 - Can only be determined at the order level (i.e., they cannot be defined/established at the FSS contract level)
 - Are incidental to the work being performed under the order.

Subcontractors at the Order Level

- The ordering activity CO determines whether to allow indirect costs not included in the FSS hourly rate.
 - For example, the contractor may request approval of indirect costs associated with providing OLMs.
 - Proposed indirect costs must be inclusive of the IFF.
 - Proposed indirect costs must be a fixed amount and not a percentage of the cost.
- If indirect costs are approved (per clause 552.212-4 (JAN 2017) (Deviation - FEB 2007) (Deviation - FEB 2018) (ALTERNATE I - JAN 2017) - see (i)(1)(ii)(D)(2)):
 - The ordering activity CO must make a determination that all indirect costs approved for payment are fair and reasonable.
 - The ordering activity CO may request supporting data from the contractor as needed.

Preparing an RFQ with OLMs

Instructions to Quoters Considerations

- Identify labor or materials not on Schedule separately as OLMs under separate CLINs
- The RFQ should state that:
 - OLMs must be in support of the order (i.e. not primary scope)
 - Quoter must Identify indirect cost as a fixed amount (if applicable)
 - OLMs must include IFF
 - OLMs shall not exceed 33.33% of total cost of the order
- Infer any RFQ under an OLM applicable Schedule may result in a quote with OLMs
- Structure to maximize fixed-price CLINs
- Include language explaining OLMs are negotiated with an NTE amount

Evaluation of OLMs

- To be considered, the Quoter's Schedule contract must include the OLM SIN.
- OCOs must check to ensure that OLMs are authorized on the Schedule and that the Quoter has incorporated the OLM modification.
- Are subcontractors present?
 - OLM subcontracts for services are allowable as long as they are considered incidental to the task and cover a service not awarded in the FSS contract.



Evaluation (cont.)

Travel

- Travel handled differently than other OLMs
 - See [GSAR 552.238-82 \(d\)\(11\)\(i\)\(ii\)](#)
- Travel is not a Schedule contract item and therefore is not subject to the IFF

Fair and Reasonable Price Determination

- The OCO must make a determination that prices for ALL OLMs are fair and reasonable.
- So, how should the OCO make this determination?
 - Fair and reasonable price determinations are made IAW procedures outlined in FAR 15.404.
- The OCO could compare quoted OLMs (both products and services) to other prices quoted.
 - e.g., the OCO could check schedule prices for comparable pricing information, check other contract vehicles, or check open market sources (be sure to ensure items are TAA compliant, etc. to ensure comparing “apples-to-apples”)



Evaluation (cont.)

Indirect Costs

- The OCO may have to inquire back to the Quoter as to how indirect costs were determined if not sufficiently explained in the quote

Ordering – Determination and Findings

- Since OLMs CLINs are T&M/LH, a D&F is required prior to award ([FAR 8.404\(h\)](#))
- HCA approval is required when the period of performance, including options, exceeds three (3) years
- The D&F *must* include:
 - Justification that an FFP order is not suitable
 - Description of the market research conducted
 - Establish that it is not possible at the time of placing the order to accurately estimate the extent or duration of the work or anticipate costs with any reasonable degree of confidence
 - Establish that the current requirement has been structured to maximize the use of FFP elements
 - Describe actions to maximize the use of FFP orders on future acquisitions for the same requirement
 - [D&F OLM Example](#)



Order Administration

- Use separate CLIN for OLMs
- Track OLM spending to ensure the ceiling is not exceeded
- OLM CLIN should define known OLM categories
 - e.g. materials, equipment, labor
- OLM SIN must include language stating:
 - “contractor exceeds ceiling at own risk”

Evaluation Checklist

Is the order being placed against an authorized schedule?	✓
Has the contractor accepted the modification for OLM SIN? (GSAR 552.238-82)	✓
Does contractor have subcontractors? Are subs allowed?	✓
Are travel costs being properly administered?	✓
Are indirect costs applied correctly?	✓
Is the OLM CLIN value less than 33.33% of the order?	✓
Has the ordering CO made a proper fair and reasonable price determination?	✓



Resources

- GSA Interact *place holder for interact notice link*
- [GSA.gov - Order Level Materials](#)
- GSA Insite Acquisition Policy- OLMs *place holder*
- [Vendor Support Center](#)
- [MAS Desk Reference Guide](#)
- FAITAS
- Final Rule - <https://www.federalregister.gov/d/2018-01232>

