GSA OIG Issues Report Expressing Continued Concerns With GSA Contract Program's Pricing Practices

Federal Agencies and Taxpayers at Risk of Overpaying for Goods and Services

The Office of Inspector General (OIG) for the General Services Administration (GSA) issued a report today concluding that GSA's Federal Acquisition Service (FAS) cannot give customer agencies assurance that GSA Multiple Award Schedule (MAS) contract pricing will result in the lowest overall cost alternative to meet the government's needs. The OIG began this audit due to concerns about how FAS contracting personnel have been performing price analyses for MAS contract awards, including their use of Transactional Data Reporting (TDR) data and flawed pricing tools.

The OIG has robustly documented these concerns in several previously issued reports. A 2022 alert memo reported that GSA's plan to expand the TDR program despite persistent issues with the quality and usability of TDR data could place government agencies, and ultimately American taxpayers, at risk of overpaying for products and services. A 2021 report found that TDR data is inaccurate and unreliable, and that FAS contracting personnel had not been using the data to negotiate or make pricing determinations. Another 2022 report found that FAS contracting personnel used flawed methodologies and practices when performing analyses with the 4P pricing tool. This followed a 2019 report that found that FAS used flawed methodologies and practices when performing analyses with other pricing tools.

Background

GSA provides centralized contracting for the federal government, offering billions of dollars' worth of products and services that federal agencies need to serve the public. The intent of one of GSA's key contracting programs, the MAS program, is to leverage the government's buying power to provide customer agencies with competitive, market-based pricing. FAS is in charge of the MAS Program, which manages long-term, government-wide contracts with commercial vendors that provide federal government buyers access to more than 11 million commercial products and services. Last fiscal year, federal agencies spent more than $39 billion on products and services sold under MAS contracts.

Until 2016, all MAS contracts required commercial pricing disclosures and price reduction protection to achieve the best possible prices for customers. In 2016, GSA established the TDR rule and pilot program, which requires certain MAS contractors to report transactional data, including prices paid by government customers, for products and services sold under their respective MAS contracts. In exchange for transactional data, MAS contractors are no longer required to provide commercial pricing information or track certain information for price reduction purposes. Under the TDR pilot, the pricing objective has changed from obtaining the vendor's most favored customer pricing to ensuring prices are "relatively competitive" with other government contract prices.

GSA's negotiated pricing on MAS contracts is important because federal regulation states that customer agencies can rely on GSA's price reasonableness determination to ensure orders result in the lowest overall cost alternative.

The OIG's Findings

The OIG found that FAS price analyses cannot provide customer agencies with assurance that orders placed against MAS contracts will result in the lowest overall cost alternative to meet the government's needs.

The OIG reviewed 8 contracts with an estimated total value of $2.5 billion in the TDR pilot, and 12 contracts requiring commercial pricing disclosures with an estimated total value of $1.8 billion. The auditors found that the pricing methodologies FAS personnel used for MAS contracts in the TDR pilot were deficient. The auditors also found that FAS contracting personnel do not have access to TDR data to use for pricing decisions on TDR pilot contracts. In addition, 7 of the 11 FAS contracting personnel the OIG interviewed expressed concerns about the TDR pilot's value to the MAS program and opined that the TDR pilot should be canceled.

The auditors also found that price information was faulty in all 12 of the contracts requiring commercial pricing disclosures. For these contracts, the FAS contracting personnel accepted commercial pricing information from offerors that was unsupported, outdated, or that identified no comparable commercial sales. This failure to collect and analyze current commercial sales pricing data results in additional pricing risk and missed opportunities to negotiate better pricing on behalf of the American taxpayer.

The OIG made four recommendations in its report. GSA management disagreed with the OIG's conclusion and three of the four recommendations. The OIG urged GSA management to reconsider the report recommendations and take corrective actions.

"I remain deeply concerned by GSA's failure to remedy the grave problems plaguing the TDR pilot project and its pricing methodologies. GSA should address these problems before expanding the TDR pilot across the $39 billion MAS program, or cancel it," said GSA Inspector General Carol Ochoa.

Read more:

[Report- FAS Cannot Provide Assurance that MAS Contract Pricing Results in Orders Achieving the Lowest Overall Cost Alternative]