



Highlights of [GAO-05-229](#), a report to Chairman, Senate Homeland Security and Governmental Affairs Committee

Why GAO Did This Study

Federal agencies can directly purchase more than 8 million commercial products and services through the General Services Administration's (GSA) multiple award schedules (MAS) contracts. Over the past 10 years, MAS contract sales have increased dramatically—with sales jumping from \$4 billion to \$32 billion.

In addition to simplifying the procurement process, the MAS program is designed to take advantage of the government's significant aggregate buying power. While GSA seeks to negotiate best pricing for its MAS contracts by analyzing vendor-provided information—such as discounts given to other customers and recent sales data for the same or similar items—past reports have found that GSA has not always used pricing tools effectively and that management controls for better ensuring fair and reasonable pricing had been reduced.

This report discusses GSA's process for negotiating most favored customer prices for MAS contracts and its efforts to improve the overall quality of negotiations.

What GAO Recommends

GAO is making four recommendations aimed at better ensuring that appropriate tools are used effectively to negotiate MAS contract prices and at increasing the effectiveness of GSA's program to measure and improve its contract negotiations. GSA agreed with the recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-229.

To view the full product, including the scope and methodology, click on the link above. For more information, contact cooperd@gao.gov.

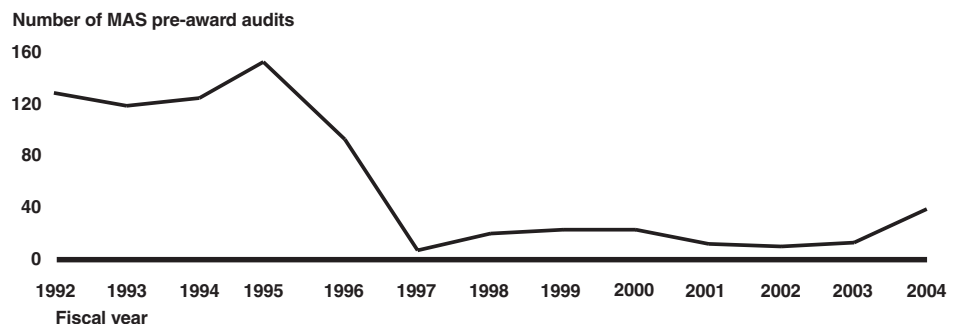
CONTRACT MANAGEMENT

Opportunities to Improve Pricing of GSA Multiple Award Schedules Contracts

What GAO Found

Contract negotiators at the four MAS acquisition centers that GAO reviewed use a variety of tools for obtaining most favored customer pricing—that is, the prices vendors offer their best customers. However, the GAO analysis of GSA's review of selected fiscal year 2004 MAS contract files found that nearly 60 percent lacked the documentation needed to establish clearly that the prices were effectively negotiated. Specifically, the contract documentation did not establish that negotiated prices were based on accurate, complete, and current vendor information; adequate price analyses; and reasonable price negotiations. GSA's efforts to ensure most favored customer pricing have been hindered by the significant decline in the use of pre-award and postaward audits of pre-award pricing information, two independent pricing tools that have helped GSA avoid or recover hundreds of millions of dollars in excessive pricing. In fiscal year 1995, GSA conducted 154 pre-award audits; by 2004 the number of pre-award audits fell to 40. Postaward audits—which resulted in an average annual recovery of \$18 million in the early 1990s—were discontinued in 1997 when GSA revised its MAS contract audit policies to increase the use of pre-award audits—an increase that has not materialized.

MAS Pre-Award Audits, Fiscal Years 1992 through 2004



Source: GSA Inspector General data.

In March 2003, GSA established the Acquisition Quality Measurement and Improvement Program, initiating the use of prenegotiation panels and postaward quality reviews of contracts. However, the effectiveness of these initiatives has been limited due to insufficient oversight. For example, three of the MAS acquisition centers that GAO visited had not reported the results of their 2003 prenegotiation panels—information needed by management to identify problems and make needed improvements. Moreover, the fourth acquisition center—which accounted for about 56 percent of the fiscal year 2004 MAS sales—has yet to hold a panel. While the postaward quality reviews—the second program initiative—have identified deficiencies in contract file documentation, they did not determine the underlying causes of these deficiencies or prescribe actions needed to address them. As a result of these weaknesses, GSA cannot be assured that fair and reasonable prices have been negotiated for its MAS contracts.