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General Services Administration Professional Services Schedule Holders May Soon Have to Lower Prices and Face Post-Award Audits

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Editor's note: From time to time we will co-author articles with industry professionals to bring you comprehensive viewpoints on a topic. Today's co-author is Scott Davidson, Managing Principal of The GCO Consulting Group (formerly Vets GSA). The GCO Consulting Group provides GSA Schedule consulting services, audit support, and proposal writing services. You can visit their website at: http://www.govconops.com/.

If you've been following the GSA for the last few years then you know the agency has been committed to reforming its Multiple Award Schedule (MAS) program. This reform included combining seven professional services schedules into a new Professional Services Schedule (PSS) back in 2015. The merger of these schedules into the PSS was aimed at reducing administrative burdens and bringing efficiency to professional services schedules. The migration was challenging for both GSA and contractors alike but when it was completed, over 700 professional services contracts had been consolidated into under 400. On March 21, 2017, the GSA Office of the Inspector General (IG) issued an audit report determining that GSA got the migration wrong. Specifically, the IG report criticized GSA for awarding PSS contracts without determining price reasonableness; missing vital information on the Pre-Negotiation and Price Negotiation Memorandum templates; and lacking details to support awarded labor category rates.

Indeed, out of the 45 contracts sampled by the IG, 44 involved situations where the contracting officer either failed to conduct a required price analysis or hold negotiations. Additionally, the IG report found fault with GSA's "Pre and Price Negotiation Memorandum" template. Under existing GSA requirements, the agency is supposed to use distinct pre-negotiation and price negotiation templates in order to document pre-negotiation objectives and capture the substance of the actual negotiations. The combined template failed to capture pre-negotiation objectives. As if those issues weren't enough, the IG report further determined that contracting officers did not appropriately conduct price analyses. Specifically, the IG could not validate price reasonableness findings because contracting officers failed to identify what labor categories they compared rates to in existing comparison databases or provide another analysis of the source data.

GSA had provided a template with the following specific written instructions ("Migrations Instructions Sheet ") to vendors who were to combine current proposal price lists "Submit a copy of the Proposed

Price List (PPL) and your awarded labor category descriptions. This document will serve to represent the pricing of the migrated Consolidated Schedule contract. It should consist of rates previously awarded under the single Schedule contract(s) only.
NOTE 1: This is NOT an opportunity to submit new pricing.
NOTE 2: If you have any labor categories that appear duplicative in the individual schedules, you will need to differentiate in this submission or remove.
This pricing exercise that the schedule holders had to provide did not provide for any opportunity for the vendor to support or assist in the determining of price reasonableness as the rates and categories were all accepted "as is" and no changes were discussed or made per these written instructions.
GSA concurred with the IG's findings and has proposed corrective action that will impact all PSS holders:

- Contracting officers for each migrated contract will reevaluate the award to ensure fair and reasonable pricing;
- Review and revise negotiation templates as necessary; and
- Provide guidance to contracting officers on reviewing labor categories and associated rates and documenting their actions.

As a result of this corrective action PSS holders may have to go through negotiations again, and possibly lower rates. Additionally, GSA may initiate post-award audits to determine if rates have been significantly overpriced. Since GSA is looking at all PSS awards, PSS holders should conduct an internal review themselves to see whether there are any issues with the awards they received. If they are, this proactive review can give the PSS awardee time to figure out how to respond to GSA.