



Highlights of [GAO-05-911T](#), a report to the Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Each year, federal agencies spend billions of dollars to buy commercial products and services through the General Service Administration's (GSA) Multiple Award Schedules program. The program has grown significantly over the past several years. Currently, federal agencies can directly purchase, through more than 16,000 schedule contracts, over 8 million products from more than 10,000 commercial vendors. In fiscal year 2004, purchases from these contracts totaled more than \$32 billion.

The multiple award schedules program is designed to take advantage of the government's significant buying power. To maximize savings, GSA negotiates discounts that are equal to or greater than those given to the vendor's most favored customers. This testimony focuses on GSA's historic use of two proven negotiation tools to improve the pricing of schedules contracts—pre-award audits and postaward audits of pre-award information. Pre-award audits allow GSA to avoid potential overpricing by verifying vendor pricing information before contracts are awarded. Postaward audits allow GSA to identify overpricing of awarded contracts and recover overcharges.

What GAO Recommends

In its February 2005 report, GAO made three recommendations aimed at improving the multiple award schedules contracts pricing.

www.gao.gov/cgi-bin/getrpt?GAO-05-911T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact David E. Cooper at (202) 512-4841 or cooperd@gao.gov.

CONTRACT MANAGEMENT

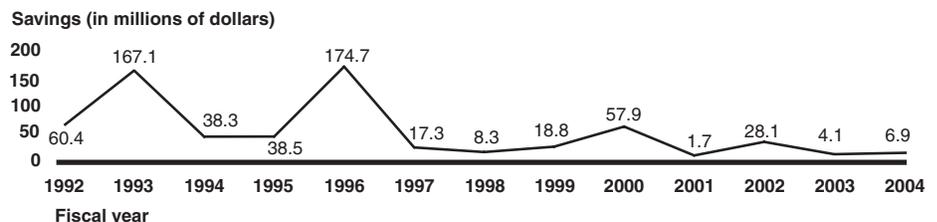
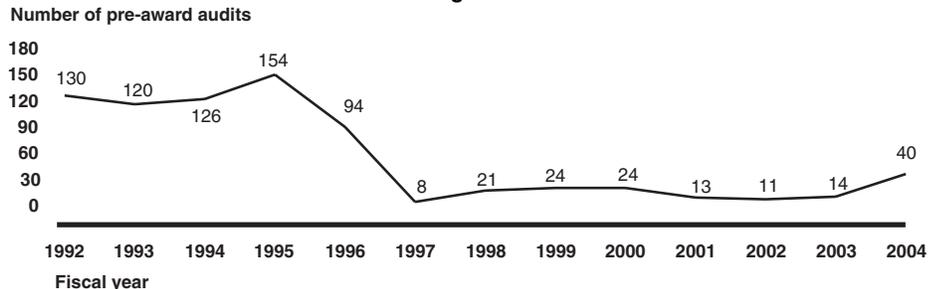
Opportunities Continue for GSA to Improve Pricing of Multiple Award Schedules Contracts

What GAO Found

Historically, GSA has used pre-award and postaward audits sporadically, thereby minimizing its ability to avoid excessive pricing and recover overcharges and potentially save millions of federal dollars. For more than 25 years, GAO has reported on GSA's multiple award schedules program pricing problems. In March 1977, we reported that pre-award information on 6 of 15 contract proposals was not accurate, complete, or current. In 1979, we again reported that pricing information submitted by some vendors was unreliable. Moreover, only 1 pre-award audit and 10 postaward audits had been conducted during fiscal years 1977 and 1978 of which 9 found inaccurate sales information had been reported by vendors or the availability of better discounts had not been disclosed. These problems continued throughout the 1980s. In the early 1990s, GSA made good use of pre-award and postaward audits, negotiating nearly \$480 million in cost savings and recovering about \$90 million in vendor overcharges over 5 years.

However, in August 1997, GSA revised its acquisition regulations and effectively eliminated the use of postaward audits. While GSA expected pre-award audits to increase, this increase never materialized. In August 2001, the GSA Inspector General reported that GSA was not consistently negotiating most favored customer pricing. For just one contract, the Inspector General projected that over the contract's term, GSA customers would pay nearly \$40 million more than they should have. In February 2005, we completed our most recent review of the multiple award schedules program and found that pricing problems persist and that the number of pre-award audits continued to decline. We concluded that GSA was continuing to miss opportunities to save hundreds of millions of dollars.

Pre-award Audits in Fiscal Years 1992 through 2004



Source: GSA Inspector General data.