



Understanding the Challenges of GSA Schedule Contracts

GSA Schedule Business is Big Business

Hundreds of companies make millions of dollars every year providing their services and products to the government through a General Services Administration (GSA) or Veterans Affairs (VA) multiple-award schedule contract.

Some of these GSA and VA Schedule holders are also losing money every year, sometimes in the millions of dollars, because they do not follow the government rules and regulations that go along with their multiple-award schedule contracts.

Trade Agreements Act (TAA) infringements, defective pricing, false claims and ethics issues are some of the more frequent reasons companies receive penalties for failure to comply with their Schedule contract terms. The dollar value of these penalties can be more than what a company is make through its Schedule contract sales.

So, how can you ensure that your sales are not diminished by compliance penalties?

A thorough understanding of the terms and conditions of your Schedule contract and a diligent attention to detail is the best insurance that you will remain in compliance. In order to be diligent, you must understand where the most common danger lie. It is also helpful to have a partner who knows the ins and outs of the multiple-award schedule contracting world.

Planning

Diligence starts with planning. Before you start, make sure you have a person whose time is devoted to managing your contract. Remember, you're entering into a contract with the government and they will hold you to it.

Plan to have some kind of technology infrastructure in place that can track your government business separate and apart from your commercial business. Your company must be able to monitor, collect, and accurately report government sales information and relevant commercial sales information. The government will check up on you regularly and thoroughly. In fact, as a GSA Schedule contractor you can expect to have an Industrial Operations Analyst (IOA) visit once every 12 months. These visits will either be in person at your offices or will be virtual, and they will focus on the policies and process you have in place for the management of your contract as well as the results of your record keeping.

Common Compliance Pitfalls

Even with proper planning, there are still multiple ways companies can fall out of compliance with their contracts. There are several that are the most common pitfalls, and they should warrant your attention and understanding.



Pricing

Pricing is probably the most common and certainly the most financially damaging compliance issue. The government has collected billions of dollars in penalties because of noncompliant pricing.

One such area of noncompliance is called “defective pricing.” As part of the proposal process, the government asks that a company disclose information about how it sells to commercial customers. The government relies on that information to decide if the prices the company wants to offer to the government are fair and reasonable. Pricing is “defective” if the information a company submits to the government is not accurate or not complete.

If you submit defective pricing you probably have not been diligent enough; worse yet, there may be someone in your company who is not telling the truth. Just because the government is large, don’t assume it won’t notice discrepancies, especially if you overcharge. It will, and you’ll wind up paying the difference plus penalties.

Another way you can be penalized due to pricing issues is by not paying attention, or not understanding, your price reduction clause. When negotiating your contract with the government, you’re required to tie your government pricing to what you charge a customer or category of commercial customers— your “basis of award”—and the discounts you are giving those customers. The price reduction clause says that your contract price should be reduced if you reduce prices to a customer that falls within your basis of award.

Companies that fail to comply with the price reduction clause or submit defective pricing intentionally or with negligent disregard can incur very high monetary penalties. There can be additional administrative penalties such as contract suspension, cancellation, or in extreme cases debarment from doing business with the government.

Ethics

The Federal Acquisition Regulation states that contractors should have a written code of business ethics and conduct. The rules also say contractors should have an employee business ethics and compliance training program and an internal control system that promotes compliance. Contractors need these tools because the government is different.

In the commercial world, for example, it is common to take clients or prospects to dinner or to treat them to a sporting event. It is even more common to invite clients or prospects to a holiday party, or to host a meeting and serve refreshments to the meeting attendees.

All of these pose problems with government prospects or clients.



According to government rules, government employees cannot accept any “gift” of more than \$20, which includes sports events, holiday parties and even meeting refreshments. Many government workers do not accept anything at all, just to be safe.

Trade Agreements Act

Another common cause of non-compliance revolves around the Trade Agreements Act (TAA.) The TAA states that you may not sell through your GSA Schedule contract products that originate from non-TAA complaint countries, or services from companies that are not established in the United States or a designated end country cause of non-compliance revolves around the TAA.

TAA compliance can be a confusing subject, but it is one that demands diligence, understanding, and often communication with the government. TAA penalties can be severe, so you must take the time to understand the regulations and how they might affect you.

Whistleblowers

Many times it is an employee who brings to the attention of the government noncompliance issues or negligence in the performance of a contract. The employee does this through a qui tam lawsuit under the False Claims Act.

A qui tam lawsuit is one brought by a private citizen, but in the name of the government. By bringing a qui tam lawsuit, a whistleblower may receive 15 to 25 percent of the amount recovered as a result of the qui tam lawsuit.

Conclusion

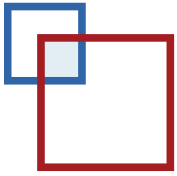
As we began by saying, GSA Schedule business is big business. The secret to ensuring that your GSA Schedule contract is an effective sales tool and not an expensive administrative burden is to stay compliant. The secret to staying compliant is to be diligent, and to find a partner who already knows the ins and outs of government rules and regulations and who can keep on top of your government business and help keep you compliant—and successful.

Contact a GSA/Veterans Affairs Schedule Consultant to Win More Business

The Gormley Group (TGG) is a full service GSA and VA Multiple Award Schedule (MAS) Program consulting company and provides everything needed by a successful GSA Schedule Contractor. TGG has provided our services to thousands of businesses and have experienced consultants and a management team with over 300 years of accumulated schedule knowledge to meet your Schedule needs. Whether it’s getting a new Schedule contract or contract management for your existing contract, The Gormley Group is the place you can trust to get the work you need done quickly, efficiently and correctly.

With this combination of knowledge and relationships, TGG offers clients

- New GSA/VA Schedule Contract Development



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- GSA/VA Schedule Contract Management
- GSA/VA Contract Compliance Assistance
- Expert Witness Services
- Advisory Services
- Marketing and Administration Training
- Strategic Sales Strategy Verification

For GSA/VA Schedule support, contact TGG today on 202.833.1120 or email info@gormgroup.com or visit www.gormgroup.com