



Office of Audits
Office of Inspector General
U.S. General Services Administration

FAS's Packaged Office Furniture Program Limits Opportunities for Better Prices and Taxpayer Savings

Report Number A201009/Q/3/P21001
March 30, 2021

Executive Summary

FAS's Packaged Office Furniture Program Limits Opportunities for Better Prices and Taxpayer Savings

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Why We Performed This Audit

We performed this audit of the Federal Acquisition Service's (FAS's) Packaged Office Furniture program due to concerns about the lack of a Commercial Sales Practices (CSP) disclosure requirement in the solicitation and how FAS contracting personnel determine fair and reasonable pricing without a CSP. Our objective was to determine if FAS adheres to federal regulations and FAS internal requirements for price evaluations when awarding and extending contracts with Special Item Number (SIN) 33721P, *Packaged Office Furniture*.

What We Found

Federal regulations and FAS policy require GSA contracting officers to seek the best price granted to the contractor's most favored commercial customer and to ensure that each contract is priced separately and independently. However, FAS's Packaged Office Furniture program does not adhere to these requirements.

FAS contracting officers are not seeking most favored commercial customer pricing when negotiating with resellers. Normally, contracting officers accomplish this requirement by obtaining the offeror's CSP disclosure and evaluating the pricing offered to its other customers. However, FAS does not require resellers to provide CSP information for Packaged Office Furniture products. Instead, FAS contracting officers award these contracts based solely on the manufacturers' schedule pricing and do not perform a separate and independent determination of fair and reasonable pricing. As a result, FAS limits its opportunities to target pricing that reflects the commercial market for better prices and savings for the taxpayer.

What We Recommend

We recommend that the FAS Commissioner ensure that contracts awarded to resellers under the Packaged Office Furniture program meet federal regulations and FAS policy by:

1. Developing and implementing a plan to remove current solicitation language that does not require contractors to submit a CSP disclosure under SIN 33721P, *Packaged Office Furniture*.

2. Developing and implementing controls to ensure compliance with Federal Acquisition Regulation 15.4, *Contract Pricing*; GSA Acquisition Regulation 538.270, *Evaluation of Federal Supply Schedule (FSS) offers*; and FAS Policy and Procedure 2018-03, *Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program*.
 - a. Require FAS contracting officers to obtain CSP disclosures on all SINs under the Packaged Office Furniture program.
 - b. Ensure that a formal price analysis, which achieves fair and reasonable pricing, is conducted on Packaged Office Furniture SIN items awarded under current contracts to determine if the contract pricing is fair and reasonable.

FAS agreed with our recommendations. FAS's written comments are included in their entirety in **Appendix B**.

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Introduction

We performed an audit of the Federal Acquisition Service's (FAS) Packaged Office Furniture program to assess whether the process for evaluating and awarding offers under the program is compliant with federal regulations and FAS policy.

Purpose

We performed this audit due to concerns about the lack of a Commercial Sales Practices (CSP) disclosure requirement in the solicitation and how FAS contracting personnel determine fair and reasonable pricing without a CSP.

Objective

Our objective was to determine if FAS adheres to federal regulations and FAS internal requirements for price evaluations when awarding and extending contracts with Special Item Number (SIN) 33721P, *Packaged Office Furniture*.

See **Appendix A** – Scope and Methodology for additional details.

Background

GSA's Multiple Award Schedule (MAS) Program gives customer agencies access to more than 25 million commercial products and services under a single, consolidated schedule. Contracts awarded include pre-negotiated prices, delivery terms, warranties, and other terms and conditions intended to streamline the acquisition process. Schedule contracts are indefinite delivery, indefinite quantity and are typically awarded with a 5-year base period and three 5-year option extensions, totaling 20 years.

The MAS Program is authorized by two federal statutes: Title III of the Federal Property and Administrative Services Act of 1949; and Title 40, U.S. Code, Section 501, *Services for Executive Agencies*. MAS Program acquisitions are governed by regulatory guidance established within the Federal Acquisition Regulation (FAR). The MAS Program is also governed by the GSA Acquisition Regulation (GSAR), which contains agency acquisition policies and practices, contract clauses, solicitation provisions, and forms that control the relationship between GSA and contractors; as well as the General Services Administration Acquisition Manual (GSAM), which contains the GSAR and non-regulatory agency acquisition guidance. FAS also creates its own policies and procedures to guide contracting officials on how to adhere to the requirements of the FAR and the GSAR.

The intent of the MAS Program is to leverage the government's buying power in an effort to provide customer agencies with competitive, market-based pricing. The Competition in Contracting Act of 1984 provides that procedures established under GSA's MAS Program are

competitive as long as MAS contracts result in the lowest overall cost alternative to meet the government's needs.

Before awarding MAS contracts, GSA contracting officers must ensure that each contract is priced separately and independently, as required by the FAR and FAS policy. When negotiating MAS contracts, contracting officers are required to seek the best price granted to the contractor's most favored commercial customer under the premise that the commercial marketplace establishes the best pricing. This is achieved by obtaining a CSP disclosure from each contractor, which should provide the contractor's actual commercial selling practices. Specifically, the applicable federal regulations and FAS policy include:

- FAR 15.4, *Contract Pricing*, requires that a price evaluation be performed prior to award and that each contract be priced separately and independently;
- GSAR 538.270, *Evaluation of Federal Supply Schedule (FSS) offers*, requires price evaluations that consider the offeror's commercial customer pricing; and
- FAS Policy and Procedure 2018-03, *Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program*, requires that a CSP is obtained for non-Transactional Data Reporting contracts and each contract should be priced separately from each other.

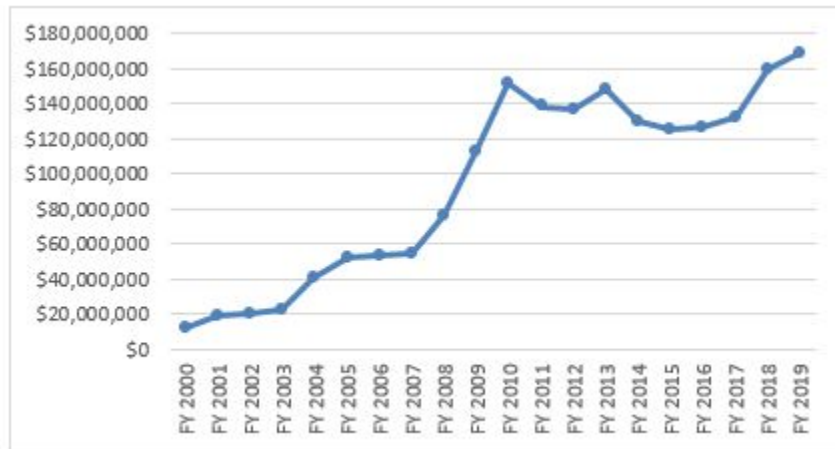
Packaged Office Furniture Program

FAS created the Packaged Office Furniture program in 1995, with the goal of providing a simple, streamlined way for industry to offer, and customers to acquire, a total furniture solution from multiple manufacturers. For example, the program was intended to allow for a contract holder to offer a customer agency a desk from one manufacturer, a chair from another manufacturer, and storage cabinets from a third manufacturer without requiring the customer to purchase from each manufacturer separately.

In October 2009, the program was transferred to FAS's Integrated Workplace Acquisition Center, located in GSA's Mid-Atlantic Region, and added to the legacy Schedule 71 solicitation as SIN 71-1, *Packaged Office Furniture*. With the most recent MAS consolidation, SIN 71-1 has been changed to SIN 33721P, *Packaged Office Furniture*.

Since the inception of this program, sales have grown significantly from \$11.7 million in Fiscal Year 2000 to \$169.1 million in Fiscal Year 2019. This growth is illustrated in *Figure 1* on the next page.

Figure 1 – Packaged Office Furniture Schedule Sales Growth



According to FAS management, the Packaged Office Furniture program significantly reduces administrative costs for customer agencies because they can order from, administer, and pay only one contract source, thus eliminating the need to solicit and award multiple delivery orders. Packaged Office Furniture vendors, known as resellers, offer a total furniture solution for customers to furnish an entire office, conference room, or common area at the furniture manufacturers' approved GSA schedule contract prices for individual products.

Under this SIN, FAS does not require resellers to disclose its commercial sales practices. Specifically, the solicitation states, "Commercial Sales Practice (CSP) and/or supporting pricing/technical data are not required for proposed suppliers as prices are already determined fair and reasonable and technical information has been reviewed under the supplier's MAS contract." Therefore, the contracting officers do not negotiate the pricing on each reseller's MAS contract as each reseller offers products that have already been vetted, negotiated, and awarded under the manufacturer's MAS contract.

Results

Finding – When awarding contracts to resellers under the Packaged Office Furniture program, FAS does not adhere to federal regulations and FAS policy; and as a result, limits its opportunities for better prices and taxpayer savings.

Federal regulations and FAS policy require GSA contracting officers to seek the best price granted to the contractor's most favored commercial customer and to ensure that each contract is priced separately and independently. However, FAS's Packaged Office Furniture program does not adhere to these requirements.

FAS contracting officers are not seeking most favored commercial customer pricing when negotiating with resellers. Normally, contracting officers accomplish this requirement by obtaining the offeror's CSP disclosure and evaluating the pricing offered to its other customers. However, FAS does not require resellers to provide CSP information for Packaged Office Furniture products. Instead, FAS contracting officers award these contracts based solely on the manufacturers' schedule pricing and do not perform a separate and independent determination of fair and reasonable pricing. As a result, FAS limits its opportunities to target pricing that reflects the commercial market for better prices and savings for the taxpayer.

GSAR 538.270-1, *Evaluation of offers without access to transactional data*, requires contracting officers to seek and obtain the offeror's best price given to its most favored customer. Typically, contracting officers accomplish this requirement by obtaining the offeror's CSP disclosure and evaluating the offeror's pricing to its other customers. A CSP disclosure provides contracting officers with the necessary commercial pricing information to perform price evaluations aimed at seeking and obtaining the best price given to resellers' most favored customers.

However, FAS's Packaged Office Furniture program does not require CSP information from resellers. As a result, contracting officers have very little insight into the prices commercial customers pay for offered furniture products and are unable to determine and seek the best price resellers offer their most favored customers. For example, during two recent preaward examinations of Packaged Office Furniture contracts, we found resellers with approximately \$60 million and \$163 million in commercial sales, but neither was required to submit CSP information.







Instead of obtaining CSP information and seeking resellers' most favored customer pricing, FAS contracting officers award reseller contracts on the basis that the reseller is billing the manufacturers' approved MAS price. This practice does not adhere to FAR 15.402, *Pricing policy*, which requires that contracting officers determine whether offered prices are fair and reasonable and price each contract separately and independently. Thus the contracting officer should perform a price evaluation on each reseller's offered products and make a fair and reasonable price determination based on that price evaluation and not the price evaluations and determinations performed on the manufacturers' contracts.

In accordance with the FAR, FAS's Policy and Procedure 2018-03 also requires that fair and reasonable price determinations be made on contracts independent of fair and reasonable determinations on previously awarded contracts. It specifically states:

Proposed prices under the new offer must be determined fair and reasonable independent of the terms and conditions awarded under the previous contracts. When evaluating the new offer, COs [contracting officers] must ensure that prices and pricing terms (e.g., economic price adjustment, basis of award, etc.) represent the best possible deal for the Government. Though a comparison of proposed prices/pricing terms against those already awarded under the previously awarded contracts can provide valuable insight, COs must not rely solely on this information when making a determination of fair and reasonable pricing.

In addition, basing all resellers' pricing off the pricing offered under manufacturers' schedules limits opportunities for FAS to target pricing that reflects the commercial market. In fact, this practice differs from FAS's pricing practices of its other schedule reseller contracts. For example, for information technology products, resellers are required to provide a CSP for all products and services. In those cases, the reseller's pricing can be better than the manufacturer's price for the same item. *Figure 2* provides an example of a Dell laptop, product number 210-ATVE, for which the manufacturer's GSA schedule price was higher than the schedule price for two of its resellers. This example illustrates that if Packaged Office Furniture resellers provide commercial sales information, it can result in more favorable pricing than manufacturers.

Figure 2 – Comparison of Manufacturer and Dealer Price on Dell Laptop 210-ATVE

| Price/Unit↕ | Contractor ↕ | Socio | Photo | Deliv Days ↕ | Min Order ↕ | FOB/Shipping ↕ |
|-----------------|-------------------------------|---|---|-----------------------|-------------|---------------------|
| \$1,433.50 EA 1 | CSP ENTERPRISES LLC |  | | 30 days delivered ARO | \$100.00 | D-CONUS,AK,PR,HI |
| \$1,476.80 EA | LYME COMPUTER SYSTEMS, INC. |  | | 60 days delivered ARO | \$100.00 | D-CONUS,AK,PR,HI |
| \$1,525.04 EA | FCN, INC. |  |  | 30 days shipped ARO | \$100.00 | D-CONUS ND-AK,PR,HI |
| \$1,525.04 EA | GOVERNMENT ACQUISITIONS, INC. |  | | 30 days delivered ARO | \$50.00 | D-CONUS,AK,PR,HI |
| \$1,525.04 EA | DELL MARKETING L.P. |  | | 45 days shipped ARO | \$100.00 | D-CONUS/O-AK,PR,HI |

Ultimately, when CSP information is not required for a GSA schedule contract, GSA pricing may not reflect the commercial market or the lowest overall cost alternative to meet the government's needs, as the MAS Program intended.

Conclusion

Federal regulations and FAS policy require GSA contracting officers to seek the best price granted to the contractor's most favored commercial customer and to ensure that each contract is priced separately and independently. However, FAS's Packaged Office Furniture program does not adhere to these requirements.

FAS contracting officers are not seeking most favored commercial customer pricing when negotiating with resellers. Normally, contracting officers accomplish this requirement by obtaining the offeror's CSP disclosure and evaluating the pricing offered to its other customers. However, FAS does not require resellers to provide CSP information for Packaged Office Furniture products. Instead, FAS contracting officers award these contracts based solely on the manufacturers' schedule pricing and do not perform a separate and independent determination of fair and reasonable pricing. As a result, FAS limits its opportunities to target pricing that reflects the commercial market for better prices and savings for the taxpayer.

Recommendations

We recommend that the FAS Commissioner ensure that contracts awarded to resellers under the Packaged Office Furniture program meet federal regulations and FAS policy by:

1. Developing and implementing a plan to remove current solicitation language that does not require contractors to submit a CSP disclosure under SIN 33721P, *Packaged Office Furniture*.
2. Developing and implementing controls to ensure compliance with Federal Acquisition Regulation 15.4, *Contract Pricing*; GSA Acquisition Regulation 538.270, *Evaluation of Federal Supply Schedule (FSS) offers*; and FAS Policy and Procedure 2018-03, *Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program*.
 - a. Require FAS contracting officers to obtain CSP disclosures on all SINs under the Packaged Office Furniture program.
 - b. Ensure that a formal price analysis, which achieves fair and reasonable pricing, is conducted on Packaged Office Furniture SIN items awarded under current contracts to determine if the contract pricing is fair and reasonable.

GSA Comments

FAS agreed with our recommendations. FAS's written comments are included in their entirety in **Appendix B**.

Audit Team

This audit was managed out of the Mid-Atlantic Region Audit Office and conducted by the individuals listed below:

| | |
|-----------------|---|
| Thomas Tripple | Regional Inspector General for Auditing |
| Susana Bandeira | Audit Manager |
| Zeeshan Malik | Auditor-In-Charge |

Appendix A – Scope and Methodology

We performed this audit due to issues we identified during two recent preaward MAS examinations. The audit assessed whether the process for evaluating and awarding offers under FAS’s Packaged Office Furniture program complied with federal regulations and FAS policy.

To accomplish our objective, we:

- Reviewed the FAR, General Services Administration Acquisition Manual, and FAS policies and guidance related to CSP requirements and MAS pricing;
- Analyzed the universe of Packaged Office Furniture contracts during Fiscal Year 2018 and the first two quarters of Fiscal Year 2019 to determine contracts with most sales;
- Examined a judgmental sample of 21 Packaged Office Furniture contracts to determine whether contract documentation adhered to federal regulations and FAS policies;
- Interviewed GSA contract officials associated with the sampled contracts to gain an understanding of how they awarded the subject contracts; and
- Reviewed GSA contract documents relating to the basis of the pricing for six furniture manufacturers.

We conducted the audit between February and December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Internal Controls

We assessed internal controls significant within the context of our audit objectives against GAO-14-704G, *Standards for Internal Control in the Federal Government*. Our assessment is not intended to provide assurance on GSA’s internal control structure as a whole. GSA management is responsible for establishing and maintaining internal controls.

In planning and performing our audit, we identified the following internal control components and underlying internal control principles as significant to the audit objective(s):

| Internal Control Components | Internal Control Principles |
|-------------------------------|--|
| Risk Assessment | Management should identify, analyze, and respond to risks related to achieving the defined objectives. |
| Control Activities | Management should implement control activities through policies. |
| Information and Communication | Management should use quality information to achieve the entity’s objectives. |

Appendix A – Scope and Methodology (cont.)

We assessed the design, implementation, and operating effectiveness of these internal controls. The methodology above describes the scope of our assessment and the report findings include any internal control deficiencies we identified. Our audit was limited to these internal control components and underlying principles; it may not have disclosed all existing internal control deficiencies.

Appendix B – GSA Comments

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Federal Acquisition Service

3/12/2021

MEMORANDUM FOR: Thomas Tripple
Regional Inspector General for Auditing

FROM: Sonny Hashmi
Commissioner
Federal Acquisition Service (Q)

Sonny Hashmi

SUBJECT: Response to Draft Report *FAS's Packaged Office Furniture Program Limits Opportunities for Better Prices and Taxpayer Savings* Report Number A201009

Thank you for the opportunity to comment on the referenced draft report *FAS's Packaged Office Furniture Program Limits Opportunities for Better Prices and Taxpayer Savings* Report Number A201009, dated February 24, 2021. The Federal Acquisition Service (FAS) provides its response to the recommendation below.

OIG Recommendation 001

We recommend that the FAS Commissioner ensure that contracts awarded to resellers under the Packaged Office Furniture program meet federal regulations and FAS policy by:
Developing and implementing a plan to remove current solicitation language that does not require contractors to submit a CSP disclosure under SIN 33721P, Packaged Office Furniture.

Management Response: FAS concurs with Recommendation 001 and will establish a plan to remove the current language that does not require contractors to submit a CSP under SIN 33721P.

OIG Recommendation 002

We recommend that the FAS Commissioner ensure that contracts awarded to resellers under the Packaged Office Furniture program meet federal regulations and FAS policy by:
Developing and implementing controls to ensure compliance with Federal Acquisition Regulation 15.4, Contract Pricing; GSA Acquisition Regulation 538.270; and FAS Policy and Procedure 2018-03, Proper Documentation of Price Analysis Decisions – Federal Supply Schedule (FSS) Program.

- a. Require FAS contracting officers to obtain CSP disclosures on all SINs under the Packaged Office Furniture program.
- b. Ensure that a formal price analysis, which achieves fair and reasonable pricing, is conducted on Packaged Office Furniture SIN items awarded under current contracts to determine if the contract pricing is fair and reasonable.

Management Response: FAS concurs with Recommendation 002. Any identified solution will ensure compliance with identified regulations and ensure formal price analysis is conducted.

Upon issuance of the final audit report, FAS will establish a Corrective Action Plan which will outline the specific actions to be taken in support of the implementation as well as the estimated dates for completion of those actions. As we move to the next stage of correction action planning, the FAS team will assess several options, including the potential use of Contractor Teaming Arrangements

Appendix B – GSA Comments (cont.)

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(CTAs) to remediate the audit findings and bring the Packaged Office Program into compliance with the identified regulations. The main goal of CTAs is to enable Federal Customers to receive a total solution by allowing vendors to team together and complement each other which is one of the main objectives of the Packaged Office Office program. FAS anticipates that more closely associating the structure of the Packaged Office Office program with that of the established CTA process will sufficiently address the GSA OIG recommendations outlined in this report.

Thank you for the opportunity to review this draft report. If you have any questions, please contact Ryan Schrank from the Integrated Workplace Acquisition Center at Ryan.Schrank@gsa.gov or 215-446-2853.

Appendix C – Report Distribution

Acting GSA Administrator (A)

GSA Deputy Administrator (AD)

Commissioner (Q)

Deputy Commissioner (Q1)

Deputy Commissioner (TTS)

Chief of Staff (Q0A)

Chief Financial Officer (B)

Office of Audit Management and Accountability (BA)

Assistant Inspector General for Auditing (JA)

Director, Audit Planning, Policy, and Operations Staff (JAO)