



A new way to 'make it up on volume'

By FCW Staff

Apr 26, 2013



One of the General Services Administration's core missions is to get agencies more value for their purchasing dollar, through negotiated discounts and bulk buys. Thanks to a suspect contract clause, however, some Multiple Award Schedule purchases are costing *more* when they exceed the maximum order.

An [April 26 report](#) from GSA's Office of Inspector General found that at least two vendors "claim the plain language of GSA contract clause I-FSS-125...exempts schedule orders over the maximum order from the Price Reduction clause." The OIG calculated that those vendors "have failed to pass on over \$100 million in price reductions for GSA orders over the maximum order."

A maximum order is set for all GSA schedule contracts -- for IT equipment, for example, the maximum order is \$500,000. "When an order exceeds this level," the report states, "the

ordering activity is encouraged to request a lower price."

The clause in question has been in place since 1995, and was part of changes intended to encourage agencies to seek bulk-purchase discounts. GSA, not surprisingly, contends that the vendors are deliberately misinterpreting the language to reach "the illogical conclusion that larger government orders are entitled to lesser discounts than smaller government orders."

The OIG concurred with GSA's position, but urged the agency "to publish its interpretation of this clause" and remove it from all existing contracts.

The vendors and contracts involved were not disclosed in the report.

About the Author

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