

21 May 2002

Memorandum For Ms. Susan L. Schneider:

Subject: Section 803 of the Defense Authorization Bill

1. I was surprised and disappointed that the draft DFARS language did not put forth greater restrictions on the use of sole source orders on GSA Schedules.
2. GSA Schedules were never designed for sole source orders. Under current rules it is impossible to ensure that a fair price is being paid unless competition at the price line has been obtained. Schedules for "service only" provide a loaded hourly labor rate. A price for a particular services is arrived at by combining loaded hourly rates, a mix of labor categories and a number of hours. It is difficult to obtain meaningful pricing information from a schedule contractor, since these contracts are based on Part 12. Since most services are often unique; it is extremely difficult to perform a realistic price analysis. The only way the Government can ensure that it is getting a reasonable price for a service is to obtain competition for the individual order.
3. It has been said the information provided for in a schedule is adequate for the time and material contracts. However, the rates from one large contractor, that I was able to check was not verified by DCAA, since the contractor refused to provide any supporting data, these unverified rates are in a schedule. I believe upon examination of the rates of many companies would be found to be not valid. It is also noted that time and material contracts should be used only when no other type of contract can be used.
4. Over the years, I have noted that contractors usually only include one rate per labor grouping in the schedules. It is assumed that this rate is for doing work at their facility. However, the majority of the effort purchased by the Department of Defense in the Washington area is performed at Government-owned facilities. This effort should be priced using off-site rates. These rates should be substantially lower than rates at the contractor's facility, since the overhead rates should be reduced on order to remove facility related cost.
5. In order to create a level playing field, the DFAR should require either all schedule buys be made using competitive procedures, or require that cost and pricing data be obtained when competitive procedures have not been followed.

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