

PUBLIC SUBMISSION

As of: 4/7/16 11:30 AM Received: May 11, 2015 Status: Posted Posted: July 07, 2015 Tracking No. 1jz-8isr-lhqj Comments Due: May 11, 2015 Submission Type: Web
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Docket: GSA-GSAR-2014-0020

General Services Administration Acquisition Regulation (GSAR); Transactional Data Reporting;
GSAR Case 2013-G504

Comment On: GSA-GSAR-2014-0020-0025

General Services Administration Acquisition Regulations: Transactional Data Reporting (GSAR
Case 203-G504) Extension of Comments

Document: GSA-GSAR-2014-0020-0031

Comment on FR Doc # 2015-10637

Submitter Information

Name: Heather Richey

Address:

2550 Wasser Terrace

Suite 200

Herndon, VA, 20171

Email: heather.richey@experian.com

Phone: 571-434-4237

General Comment

See attached file(s)

Attachments

GSA transaction reporting comments 5.11.2015

Thank you for allowing comments on the proposed change to the Price Reduction Clause and the proposed introduction of the transaction reporting requirement. There are key areas that need more discussion, investigation and further review before implementing in a pilot. Primarily, the increased burden on contractors to support the reporting in the proposed clause and there will still be a need for tracking commercial customers even though the Price Reduction Clause will be altered/removed. The lack of mandatory training for contracting specialists/officers on how to analyze all the transaction reporting will lead to a race to the bottom on pricing. Finally how will GSA protect the pricing information from other contractors?

Jeff Koses stated in the public meeting on April 17 that he believed tracking the transaction reporting would be easier than reporting the IFF. However it's the opposite in practical application. To report on IFF, most companies will pull invoices by GSA order number submitted for payment by quarter and pay IFF based on the total amount invoiced (less any open market items). That is a fairly straight forward process because the invoice is not being reviewed any deeper than the total amount billed for GSA Schedule products/services. In order to provide the transaction reporting required, each individual invoice would have to be reviewed by product, service, or labor category line by line. Additional review would be required to validate if a discount was given based on volume, BPA, or other competitive reason. This would mean reviewing the proposal and/or FPR. All of the above will have to be done manually. I cannot think of any companies' systems that can perform this type of search without a great deal of software development to address this requirement. If a contractor offers tiered pricing based on volumes purchased, each tier would have to be categorized separately. Otherwise the reporting will be skewed to lower prices even though the prices could mean the difference between 30,000 vs. 3,000,000 in volume. Again, this would have to be performed manually unless the contractors system is set up to handle different product codes by volume. Assuming this requirement proceeds past the pilot phase this will eventually affect services and labor categories. This will be even more difficult to report on monthly. Each order would have to be reviewed individually by labor category. Will contractors be allowed to increase prices to recoup the burden of performing this function? For contractors that have cost accounting systems they may be able to absorb some of the costs but could still negatively impact overall profitability. For contractors that have prices based on commercial list price will GSA allow an increase in price to handle this increased burden? Trying to increase commercial list price would be difficult across all customer types. Commercial customers would not accept the increase for a Government requirement that is of no benefit to them.

If the transaction reporting requirement is implemented and the Price Reduction Clause will be altered and/or removed, based on several statements in the Federal Register GSA believes the burden to monitor commercial pricing will decrease. However, I believe it may increase. Removing the tracking customer or class of customers but still requiring updates on sales practices and commercial sales translates to all commercial customers will need to be monitored. This will only increase the burden, not lessen the need to support this compliance function. As stated in the previous paragraph regarding the reporting burden, would GSA allow an increase in price to absorb the additional administrative burden?

Currently any warranted U.S. Government Contracting Officer (or Specialist working with the CO) can utilize the GSA Schedule. A DPA is not required like on a non-FSS GSA Contract Vehicle. How

does GSA intend to ensure that contracting officers/specialists get the proper training before utilizing the transaction information and will not lead to a race to the bottom on pricing? Ultimately even complex solutions with labor services are turned into commodities. Will contracting officers/specialists be required to take training on how to evaluate information in the reporting system and use it on a best value evaluation versus lowest price technically acceptable? The concern is contracting officers will gravitate to the lowest price in the system when that price may have been for an award that was a significantly higher award value than what the contracting officer is contemplating. How can they compare labor categories with similar names across different contractors but the categories have vastly different prices, years of experience and education.

How does GSA intend to protect this information from Contractors' competitors? Because the information will be for all orders moving forward once the GSAR clause is implemented, BPAs and large dollar value orders could have significant discounts associated with them and they could be a few years old and recompetes are in the near future. How will this information be protected from support contractors or contractors that have access to the system? Protecting the proprietary pricing information from being unfairly used in future competitive solicitations?

Ultimately this could lead companies that have modest Government sales and predominantly commercial sales companies to move away from GSA schedule because it will no longer be profitable due to the increasing administrative burden that cannot be recouped, all the while as prices are continuing to be pushed lower and lower.