Understanding the Greatest Challenges of GSA Schedule Contracts
Government 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 companies also lose millions of dollars every year because they do not follow the government rules and regulations that go along with their GSA Schedule contracts.

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

So, how do you make money in the government without risking compliance penalties?

Diligence is the best method of ensuring contract compliance. In order to be diligent, you must understand where the most common dangers lie. It is also helpful to get 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 commercial and government sales information. The government will check up on you regularly, and thoroughly.

In fact, as holder of a GSA Schedule contract, you will have an Industrial Operations Analyst (IOA) visit once every 12 or 18 months. These visits will focus on the policies and processes you have in place for the management of your contract.

Common Compliance Pitfalls

Even with proper planning, there are still multitudes of ways companies can fall out of compliance with their contracts. There are several most common “gotchas”.

Pricing

Pricing is probably 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 offers to the government are fair and reasonable.

Pricing is defective if information that 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 that is not telling the truth. Just because the government is large, don’t assume the government won’t notice if you overcharge. It will—and you’ll wind up paying the difference, and then some.

Another way you can get “dinged” is by not paying attention to 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 offer those customers.
The Price Reduction Clause says that your contract price should be reduced if you reduce prices to a customer in your basis of award.

Companies that submit defective pricing or fail to comply with the price reduction clause intentionally or with negligent disregard can incur very high monetary penalties. Companies can also suffer administrative penalties such as contract cancellation, suspension, and debarment.

Ethics

Business ethics is a hot topic for the government.

The Federal Acquisition Regulations now say 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 ethic 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 $25, which includes sports events, holiday parties, and even meeting refreshments. Many government workers do not accept anything at all, just to be safe.

TAA

The third most common cause of noncompliance revolves around the Trade Agreements Act (TAA). TAA states that you may not sell products from non-TAA-compliant countries, or services from companies that are not established in the U.S. or a designated end country, through your GSA Schedule contract.

This is a sticky subject that brings us back to the importance of diligence. Take the time to understand the TAA 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 between 15 percent and 30 percent of the amount recovered as a result of the Qui Tam lawsuit if any penalty is assessed.

Conclusion

As we started out saying, government business is big business. The secret to staying in the government business 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.

About Washington Management Group

Washington Management Group is the leading GSA and VA Schedule contract consulting firm in the nation. We provide hands-on assistance in obtaining and maintaining your GSA and VA Schedule Contract.
As part of your federal business team, we provide a dedicated consultant who works with GSA and VA on your behalf. We help you develop a sound pricing strategy. We prepare and submit your Schedule Contract offer, we revise your schedule contract when modifications are necessary, and manage your contract to ensure compliance demands are met.

No other consulting company has our subject matter expertise, level of experience, and understanding of government and industry. No other firm is more adept at maneuvering within the complex world of government contracting. Why not let WMG put our 33 years of GSA Schedule consulting knowledge, experience and relationships to work for you?

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About The Washington Management Group (WMG)
Headquartered in Washington, DC, with offices in Portland, Oregon, The Washington Management Group (WMG) is the leading GSA and VA Schedule contract consulting firm in the nation. WMG specializes in the General Services Administration (GSA) and Veterans’ Affairs (VA) Multiple Award Schedules Program. We drive growth within your company by offering a hands-on approach to obtaining and maintaining your GSA and VA Schedule Contract.

About Deltek
WMG was acquired by Deltek in April, 2011. Deltek (Nasdaq: PROJ) is the leading global provider of enterprise software and information solutions for professional services firms and government contractors. For decades, we have delivered actionable insight that empowers our customers to unlock their business potential. Over 14,500 organizations and 1.8 million users in approximately 80 countries around the world rely on Deltek to research and identify opportunities, win new business, optimize resources, streamline operations, and deliver more profitable projects. Deltek – Know more. Do more.® www.deltek.com