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Collaborate **For Success**

Cultivate **Knowledge**

Maximize **Value**

Achieve **Awareness**

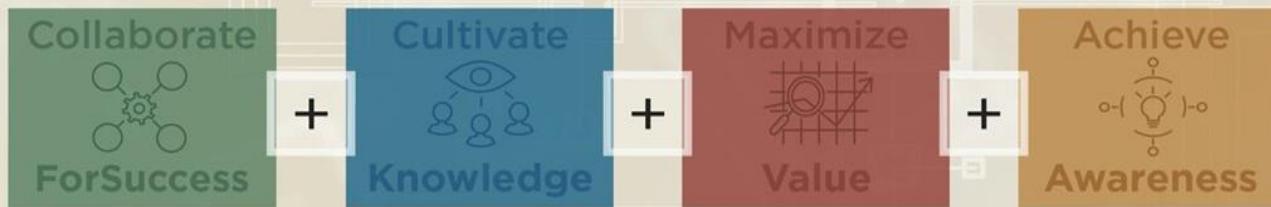
Advancing Agency Missions with Order Level Materials (OLMs)

Key Considerations and Practical Applications

Steve Sizemore

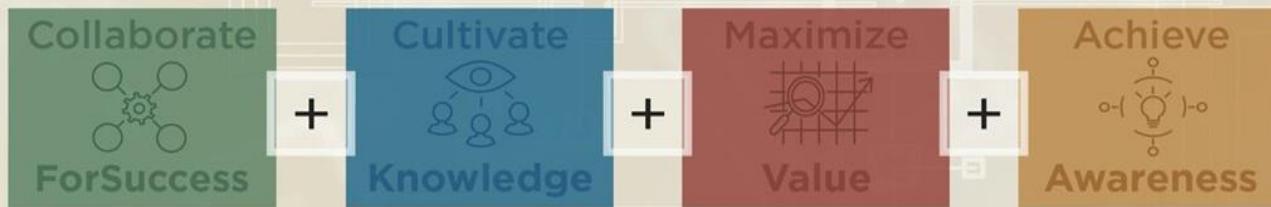
GSA, Director, Direct Client Support





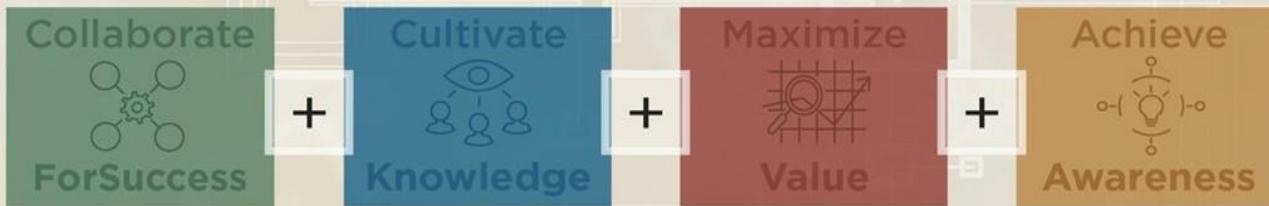
Historical Model

- Most ODCs were procured as open-market items (may now be ordered as OLMs)
- The ordering activity CO (OCO) had to ensure all applicable acquisition regulations pertaining to the purchase of open market items were followed:
 - Publicizing (Part 5),
 - Competition requirements (Part 6),
 - Acquisition of commercial items (Part 12),
 - Contracting methods (Parts 13, 14 and 15); and
 - Small business programs (Part 19)
- Often, requirements were too burdensome for the OCO, and so open market items were limited to micro-purchase threshold

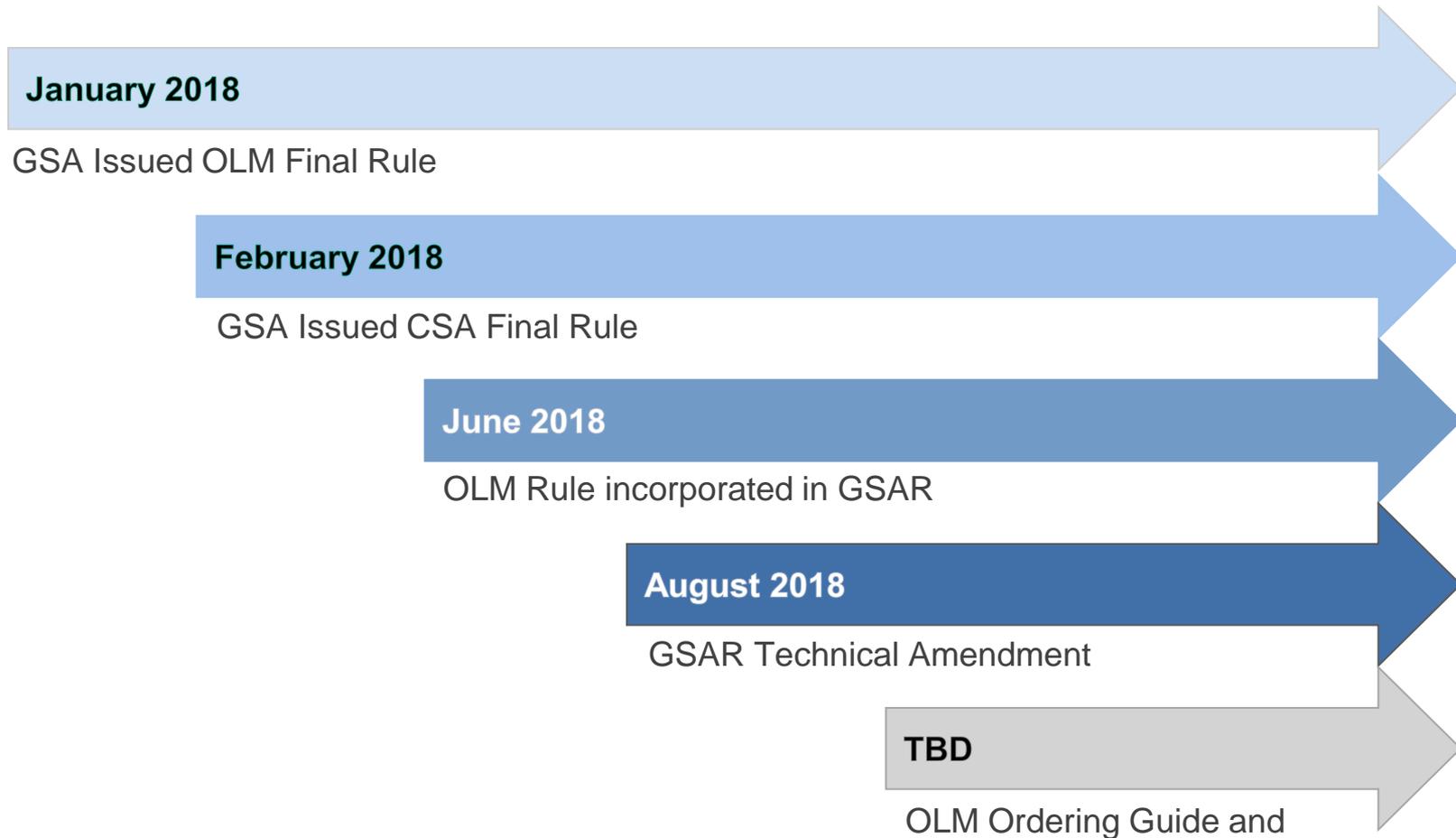


Historical Model (Cont.)

- Contractors could form CTA's in order to provide a total solution
 - However this could introduce another delay to the procurement timeline
- Agencies could look elsewhere in order to avoid the administrative burden
 - Procure through other major GWACs/IDIQs outside of the FSS program
 - OASIS, Alliant, CIO-SP3, ITES-2S, and ENCORE 3



Rollout Timeline





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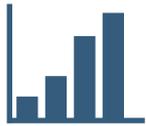
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New Model



Schedule Purchase

- OLMs are Schedule Items (FAR 8.4)
- Prices established and items acquired at the order level
- Prices are NOT established at Schedule or BPA Level
- Contract Type: T&M or Labor Hours CLINs (Hybrid Orders are Allowed)

Indirect Costs

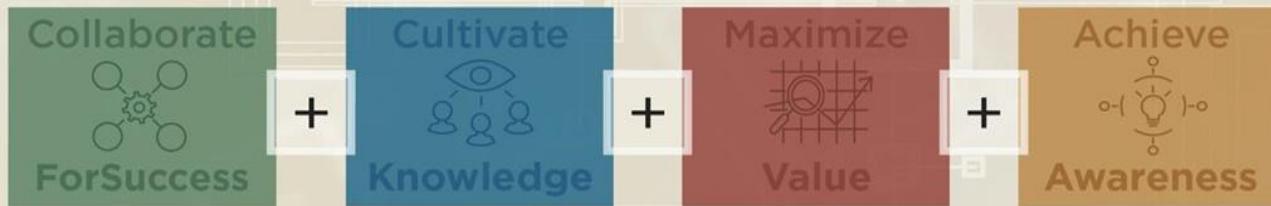
- Customer agencies may now allow for indirect costs associated with acquiring OLMs to be included as an OLM line item at the task order level.

Order Limit

- OLM's shall not exceed 33.33% of the total cost of the order, exclusive of travel, freight, and open market items
- August 2018 Technical amendment to GSAR sets Order Limit threshold at BPA level

IFF Inclusion

- All OLMs must include IFF in the final price for each offered item

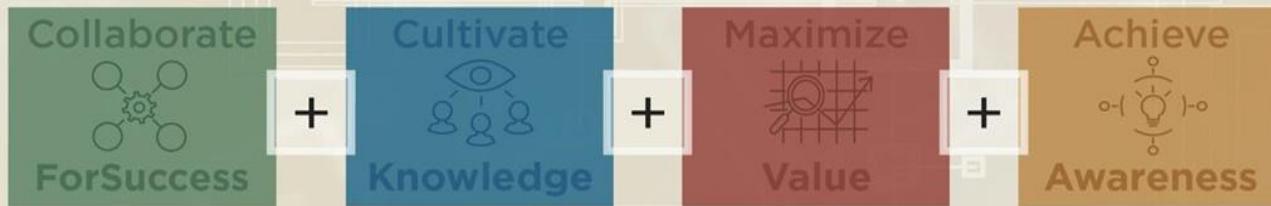


New Model (Cont.)

- Other Direct Costs (ODCs) are products or services that are ancillary to the primary purpose of a task or delivery order.
 - e.g., incidental products that are not available on the contract, computer usage charges, travel, etc.
- ODCs may be acquired through:
 - OLM authority
 - Ancillary SINs
 - FAR 51 Deviation authority
 - Contractor Team Arrangements (CTAs)
 - Open-market procedures (FAR 8.402(f))

Authorized Schedules for OLMs

| Schedule | Schedule Description |
|----------|--|
| 70 | Commercial Information Technology Equipment, Software, and Services |
| 00CORP | Professional Services Schedule |
| 03FAC | Facilities Maintenance and Management |
| 56 | Buildings and Building Materials |
| 71 | Furniture |
| 84 | Total Solutions for Law Enforcement, Security, Facilities Management, Fire, Rescue, Clothing, Marine Craft And Emergency/Disaster Response |
| 738X | Human Capital Management and Administrative Support Services |
| 36 | Office, Imaging, and Document Solutions |
| 58 I | Professional Audio/Video Telemetry/Tracking, Recording/Reproducing and Signal Data Solutions |
| 78 | Sports, Promotional, Outdoor, Recreation, Trophies, and Signs (SPORTS) |
| 72 | Furnishings and Floor Coverings |
| 71 II K | Comprehensive Furniture Management Services (CFMS) |



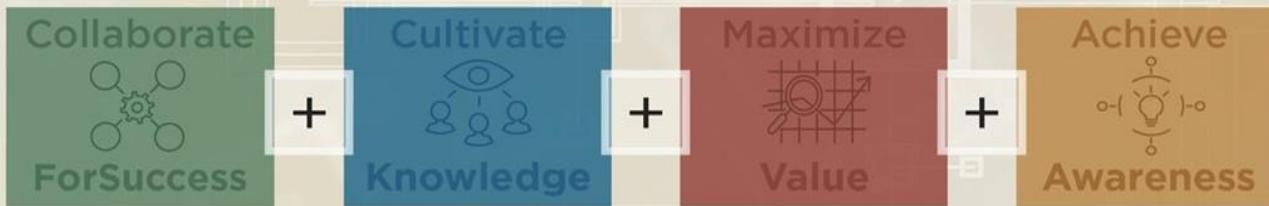
Order Level Materials (OLMs) Defined

➤ GSAR 552.238-82 Special Ordering Procedures:

- Defines how OLM's are to be procured
- Supplies and/or services acquired in direct support of an individual task or delivery order placed against a Schedule contract or BPA when the supplies or services are not known at the time of award

➤ SIN Definition:

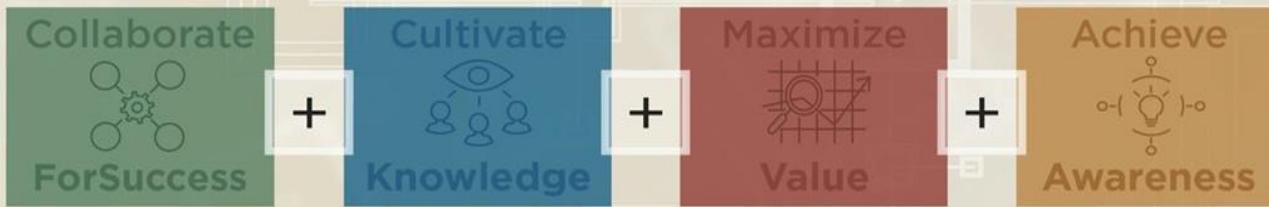
- Supplies and/or services acquired in direct support of an individual task or delivery order placed against a Federal Supply Schedule (FSS) contract or FSS blanket purchase agreement (BPA). OLMs are not defined, priced, or awarded at the FSS contract level.
- OLMs are unknown at the Schedule contract level
- OLMs are identified at the order level and may be known or unknown at the time of award
- OLMs are only authorized for inclusion at the order level under a Time-and-Materials (T&M) or Labor-Hour (LH) Contract Line Item Number (CLIN) and are subject to a Not To Exceed (NTE) ceiling price.
- **OLMs include direct materials, subcontracts for supplies and incidental services for which there is not a labor category specified in the FSS contract, other direct costs, and indirect costs.**



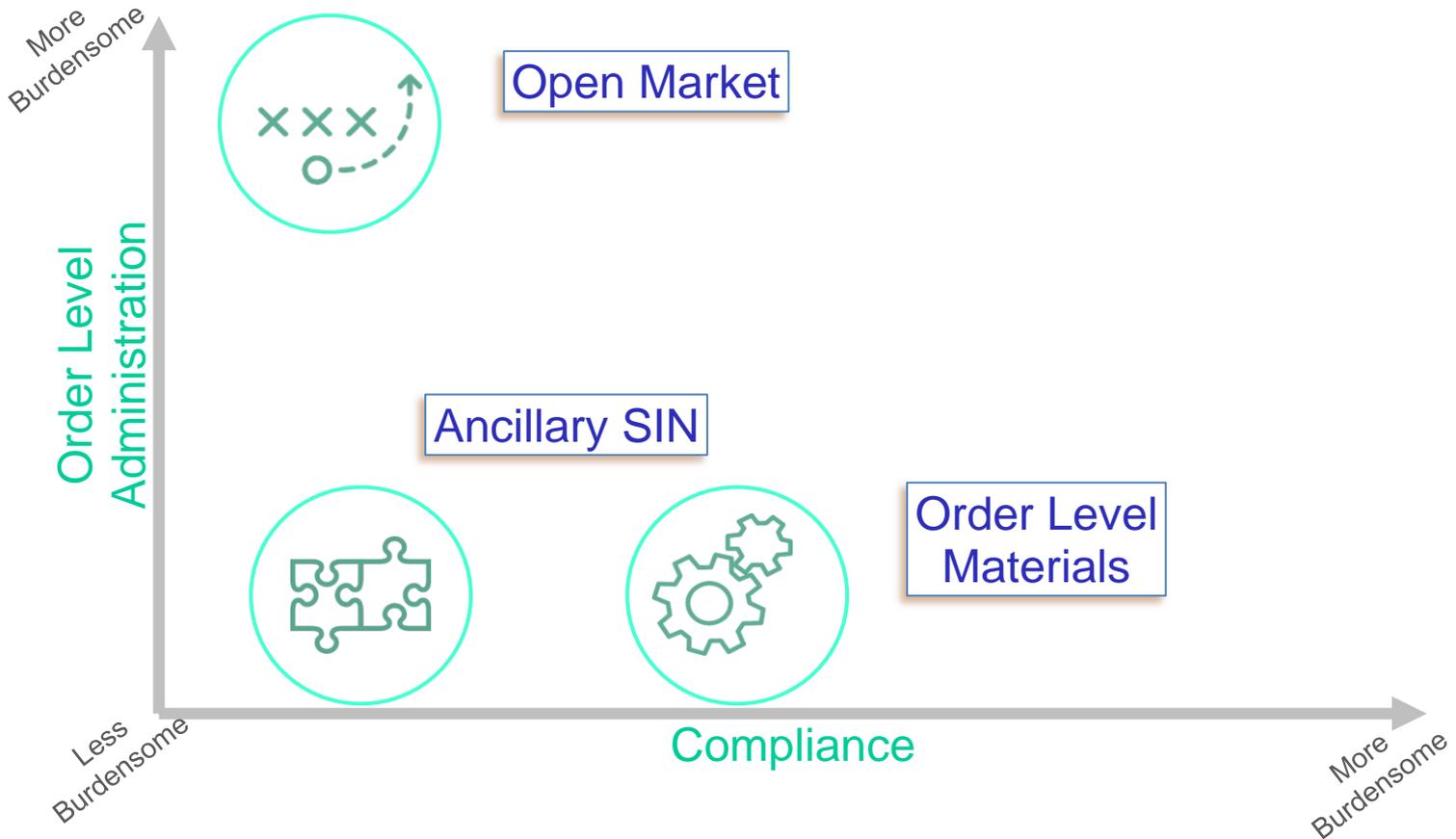
OLM vs. Ancillary SIN vs. Open Market

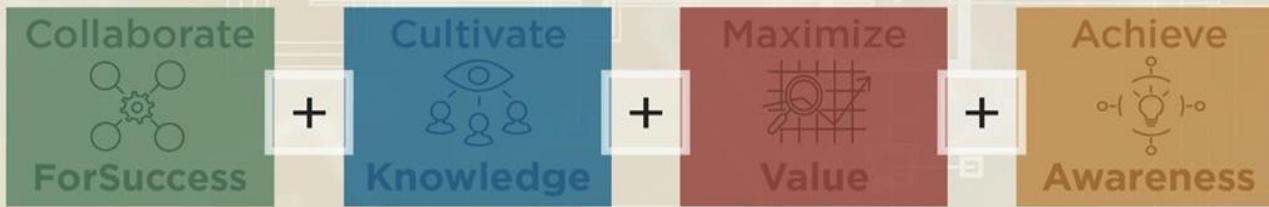
| Feature | Ancillary SINs | OLMs | Open Market Items |
|----------------------|----------------|----------------------|----------------------|
| Authorized Schedules | All | Specific Schedules | All |
| Designated FSS SIN | Yes | Yes | No |
| FSS Contract Item | Yes | Yes | No |
| Price Evaluation | Schedule CO | Ordering Activity CO | Ordering Activity CO |
| Order Types | All | T&M / LH CLINs | All |
| Ordering Procedures | FAR 8.405-2 | GSAR 552.238-82 | FAR 8.402(f) |

Keep in mind: Contractors are able to handle some ODCs as open market items to prevent the OLM portion of the order from exceeding the order limit (33.33%)

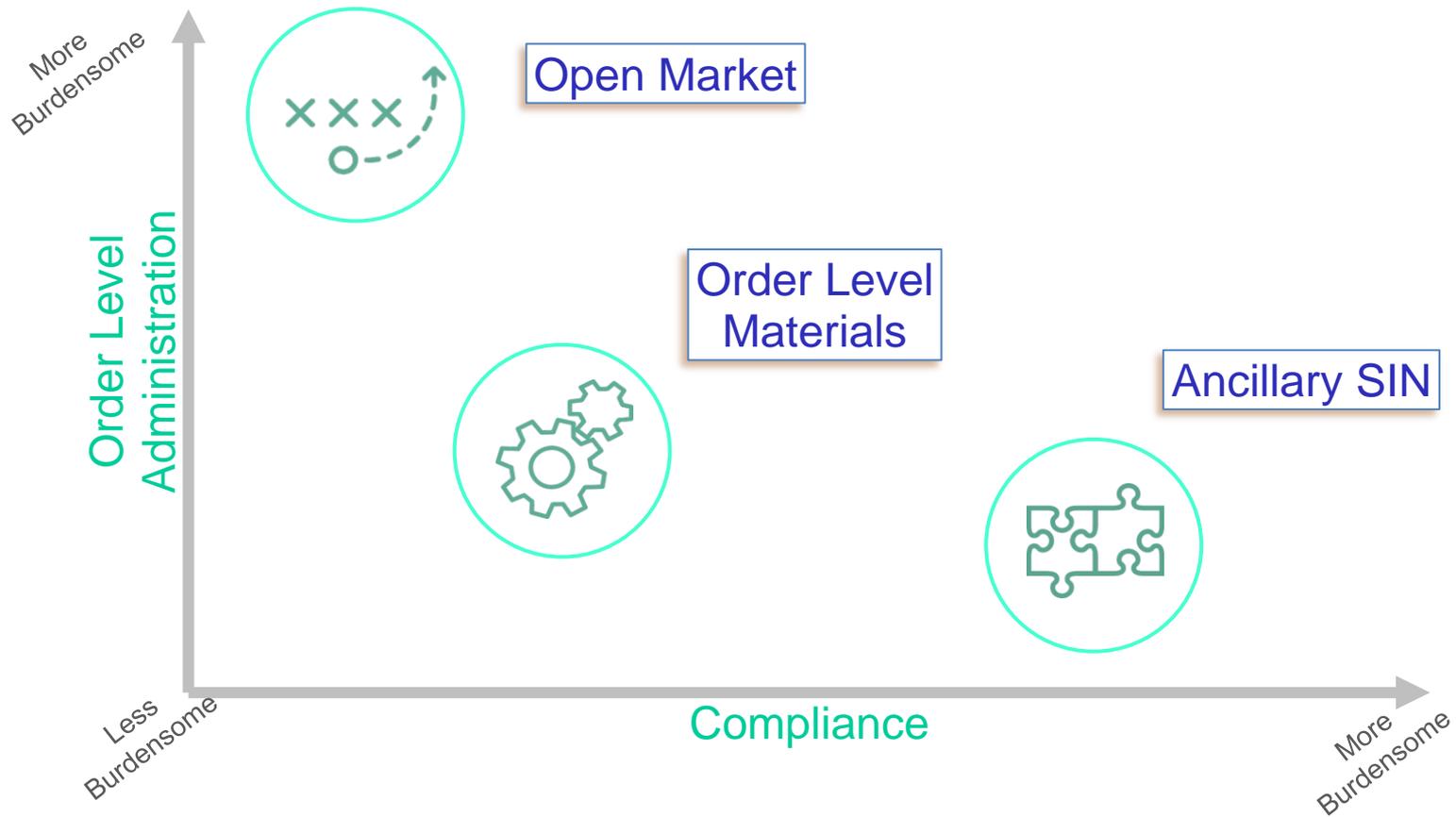


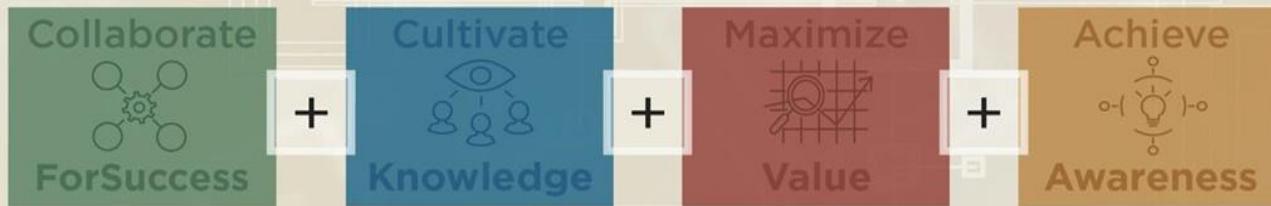
Government Perspective: OLM vs. Ancillary SIN vs. Open Market





Industry Perspective: OLM vs. Ancillary SIN vs. Open Market





Administering Contracts with the OLM SIN

The following clauses **do not** apply to OLMs:

[GSAR 552.216-70](#) AND [I-FSS-969](#)

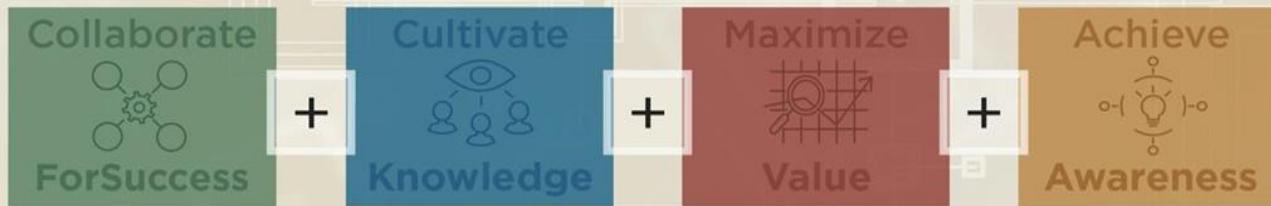
- *Economic Price Adjustment - FSS Multiple Award Schedule Contracts*

[GSAR 552.238-71](#)

- *Submission and Distribution of Authorized FSS Schedule Pricelists*

[GSAR 552.238-75](#)

- *Price Reductions*



Administering Contracts with the OLM SIN (Cont. 2)

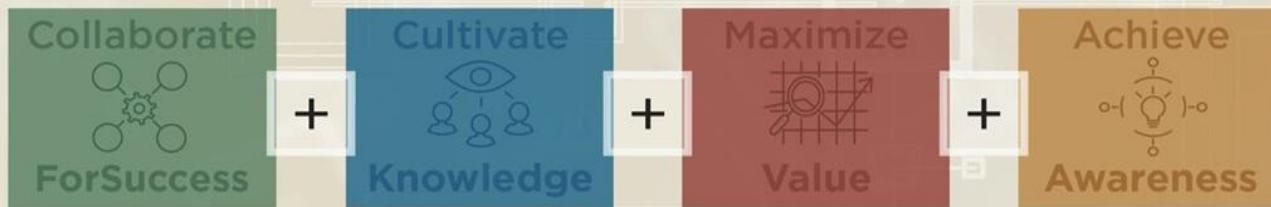
The following clause and terms apply to OLMs:

- [GSAR 552.238-74](#) - *Industrial Funding Fee and Sales Reporting*
 - Contractors are required to report sales and remit the IFF for all sales under the OLM SIN

- [GSAR 552.215-71](#) - *Examination of Records by GSA*

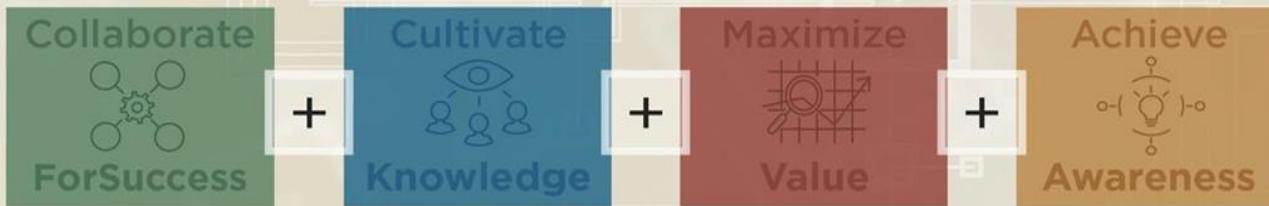
- Transactional Data Reporting (TDR) requirements, if applicable to the contract

- Other terms and conditions (e.g., TAA, AbilityOne, Commercial)



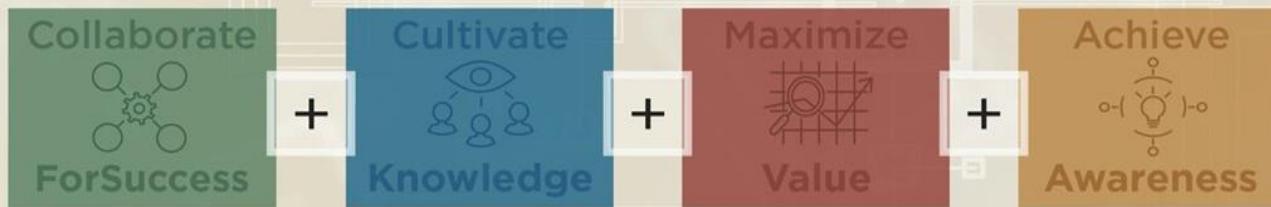
Administering Contracts with the OLM SIN (Cont.)

- The OLM SIN may not be the primary purpose of the order
- The OCO must monitor the order for compliance IAW [FAR 52.212-4](#) and [GSAR 552.215-71](#)
- Industrial Operations Analysts (IOAs) will check OLM compliance during contractor assessments and document the findings in the Contractor Assessment Report
- OLM SIN is “500” – e.g. 00CORP 500; 70 500; etc.
- **IMPORTANT:** Contractors must report sales under the correct SINS in the Sales Reporting Portal (SRP) - OLM sales are reported under SIN 500.



Government Considerations

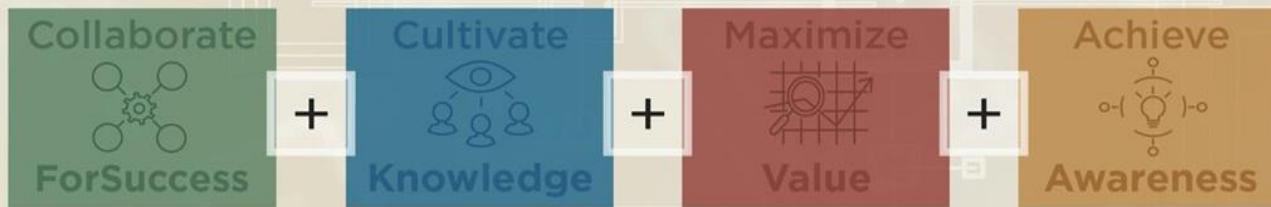
Placing Orders with OLMs



Ordering with OLMs

Prepare RFQ – Instructions to Quoters

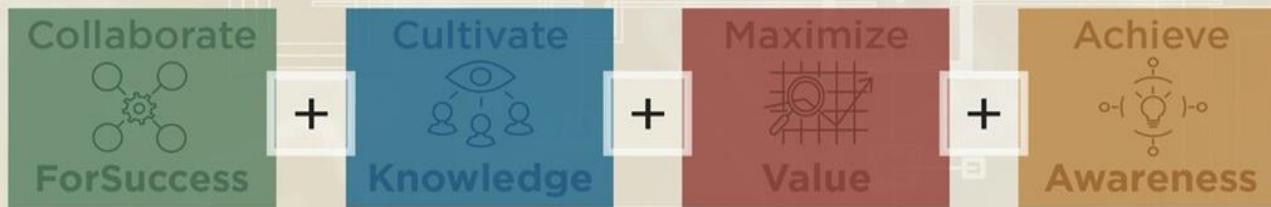
- Evaluation (See evaluation checklist)
- CLIN Structure
- Determination and Findings (D&F)
- Administer an Order with OLMs
- Monitor Cost Limitations (i.e. OLMs cannot exceed 33.33%)



Preparing an RFQ with OLMs

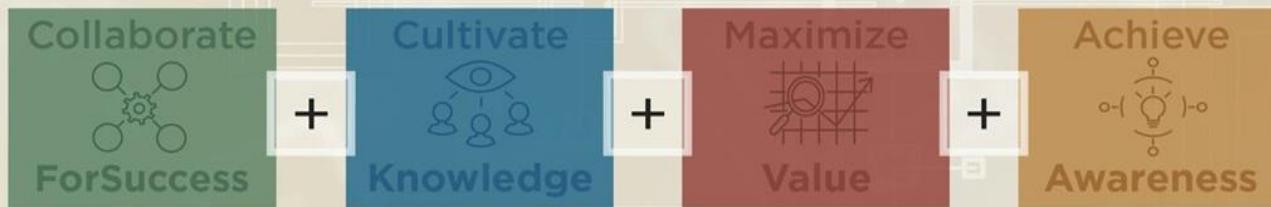
Considerations for Instructions to Quoters

- Identify, under separate CLINs, the labor or materials that are not on Schedule as OLMs
- The RFQ should state that:
 - OLMs must be in support of the order (i.e. not primary scope)
 - Quoter must identify indirect cost as a fixed amount (if applicable)
 - OLMs shall not exceed 33.33% of the total cost of the order
 - Any RFQ under an OLM applicable Schedule may result in a quote with OLMs
- Include language explaining OLMs are negotiated with a Not-to-Exceed (NTE) amount



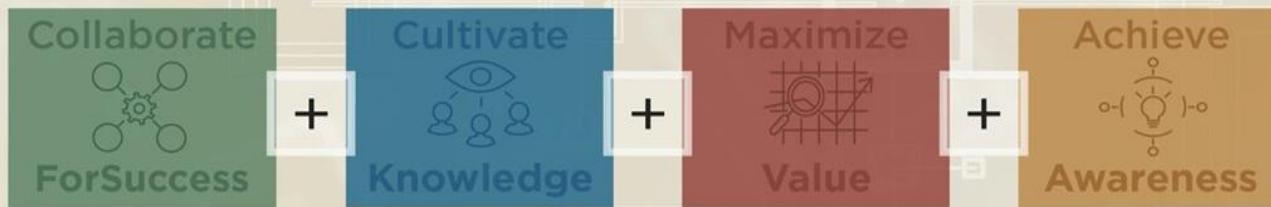
Ordering – Contractor Obtains Three Quotes

- For each proposed OLM item that exceeds the Simplified Acquisition Threshold, the contractor is required to obtain a minimum of three (3) quotes to support the price reasonableness of the item (see GSAR [552.238-82\(d\)\(7\)\(i\)](#)).
 - If three quotes cannot be obtained, the contractor is required to maintain documentation of the reason.
 - The three quotes obtained by the contractor must be documented internally and are subject to audit.
 - The OCO shall not request access to the three quotes obtained by the contractor, except as a last resort, when all other attempts at determining price reasonableness have been exhausted.
- Exception: A contractor with an approved purchasing system per [FAR 44.3](#) is exempt from the requirement to obtain three quotes.



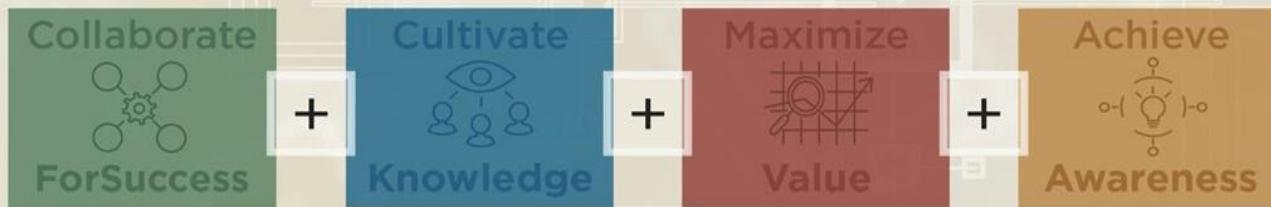
Ordering – Determination and Findings

- Since OLM CLINs are T&M/LH, a D&F is required prior to award
 - (See [FAR 8.404\(h\)](#))
- HCA approval is required when the period of performance, including options, exceeds three (3) years



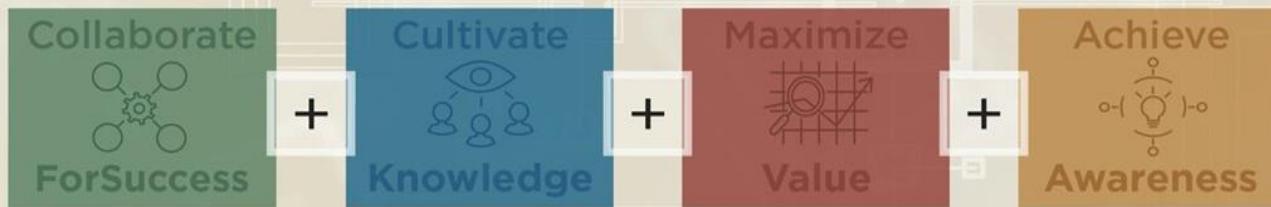
Ordering – Indirect Costs

- The contractor may request approval of indirect costs associated with providing OLMs.
- The OCO determines whether to allow indirect costs not included in the FSS hourly rate.
- Proposed indirect costs must be a fixed amount and not a percentage of the cost and must be inclusive of the IFF.
- If indirect costs are approved:
 - The OCO must make a determination that all indirect costs approved for payment are fair and reasonable.
 - Supporting data shall be submitted by the contractor in a form acceptable to the OCO.



Evaluation of OLMs

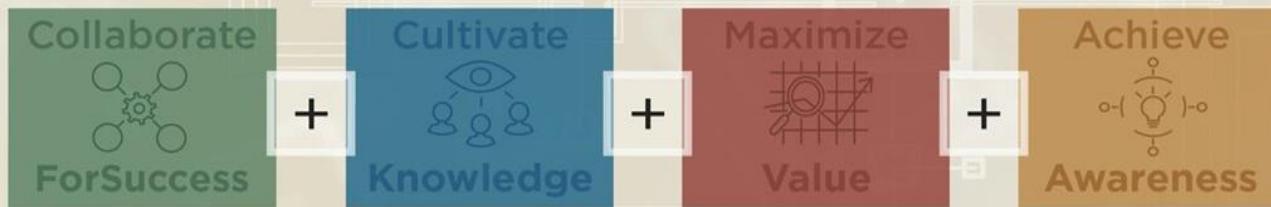
- Check to ensure that OLMs are authorized on the Schedule and that the Quoter has incorporated the OLM modification into their contract.
 - Check eLibrary (www.gsaelibrary.gsa.gov)
- Indirect costs. The OCO may have to inquire back to the Quoter as to how indirect costs were determined if not sufficiently explained in the quote.



Evaluation (cont.)

Fair and Reasonable Price Determination

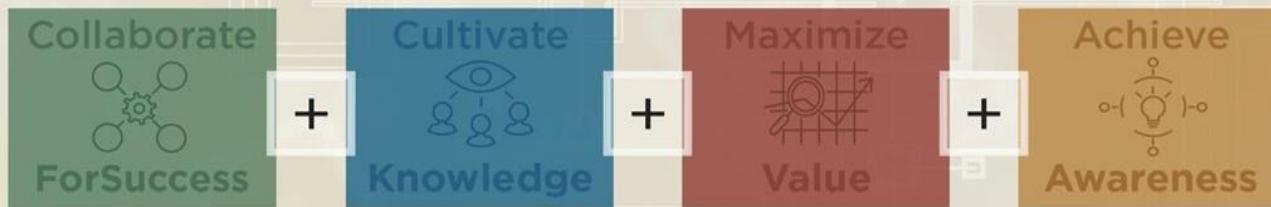
- The OCO must make an independent determination that prices for all proposed OLMs are fair and reasonable, IAW FAR 15.404.
- This determination must be documented in the contract file and can be based on a comparison of quotes received in response to the RFQ or other relevant pricing information.
 - Compare quoted OLMs (both products and services) to other prices quoted.
 - The OCO could check:
 - Schedule prices for comparable pricing information
 - Other contract vehicles
 - Open market sources (be sure to ensure items are TAA compliant, etc. to ensure comparing “apples-to-apples”)



Ordering – Travel Costs

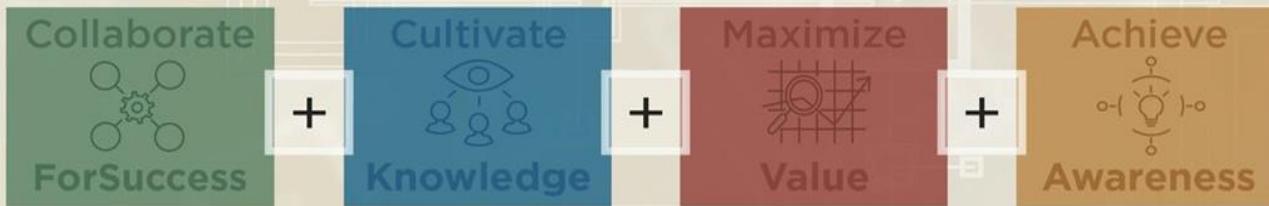
Travel is an OLM, but there are exceptions:

- Travel costs:
 - are governed by FAR 31.205-46
 - do not count towards the 33.33% limitation
 - are not subject to the Industrial Funding Fee
 - do not require the T&M D&F
 - [GSAR 552.238-82 \(d\)\(11\)\(i\)\(ii\)](#)



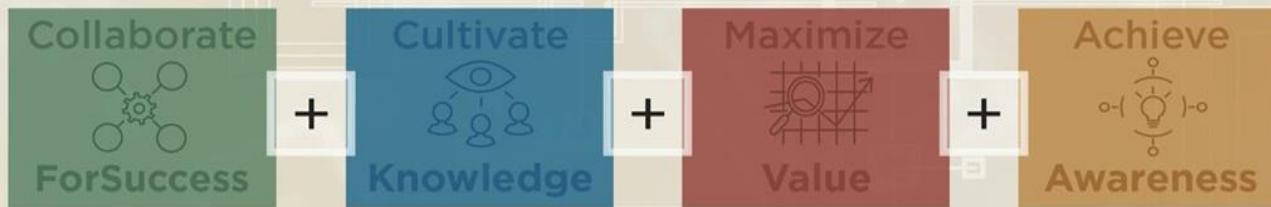
Order Administration

- Use separate CLINs for OLMs
- Track OLM spending to ensure the ceiling is not exceeded
- Prior to an increase in the ceiling price of order-level materials, the OCO shall follow the procedures at FAR 8.404(h)(3)(iv)
- OLM CLIN should define known OLM categories
 - e.g. materials, equipment, labor
- OLM CLIN must include language stating:
 - “contractor exceeds ceiling at own risk”



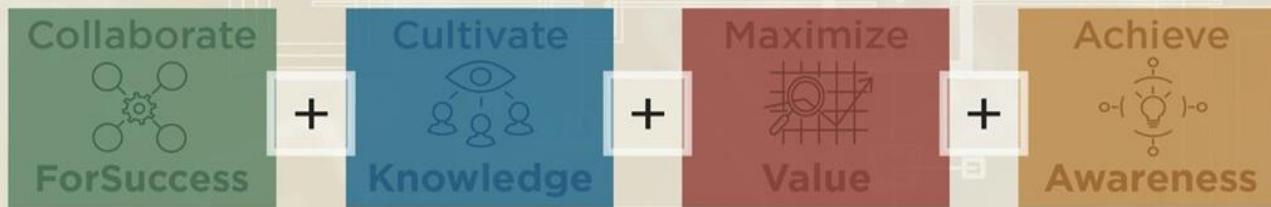
OLM Checklist

| Evaluation Checklist | |
|--|---|
| Is the order being placed against an authorized Schedule? | ✓ |
| Does the contractor have the OLM SIN incorporated into their Schedule contract? | ✓ |
| Do OLM items meet the terms and conditions of Schedules? e.g. commercial items, TAA compliant, AbilityOne compliant | ✓ |
| Are travel costs being properly administered? | ✓ |
| Are indirect costs applied correctly? | ✓ |
| Is the OLM CLIN value less than 33.33% of the order (or BPA)? | ✓ |
| Has the ordering CO made a proper fair and reasonable price determination? | ✓ |



Potential Areas of Oversight

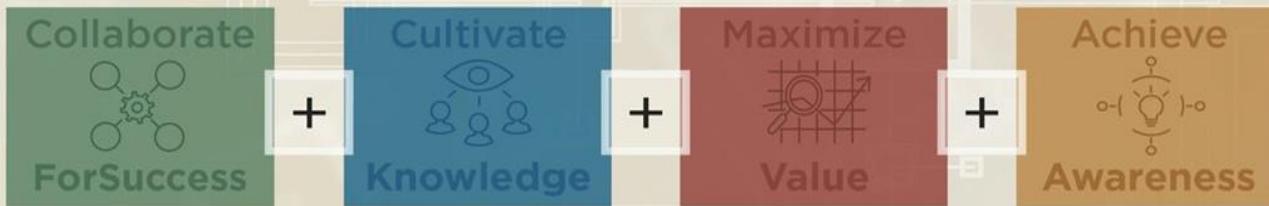
- Enforcement of using OLM SIN versus adding items to Schedule
 - Who will enforce this?
 - How will it be enforced?
 - Was OLM really unknown at time of award?
- Is it commonly purchased?
 - TDR reporting gives visibility into frequency of item being sold as an OLM
 - However, GSA Sales data may not give the full picture (GSA customers may purchase frequently, but commercial customers may not)
- Any information used to support pricing should be accurate and retained (quotes, invoices, market research, etc.)



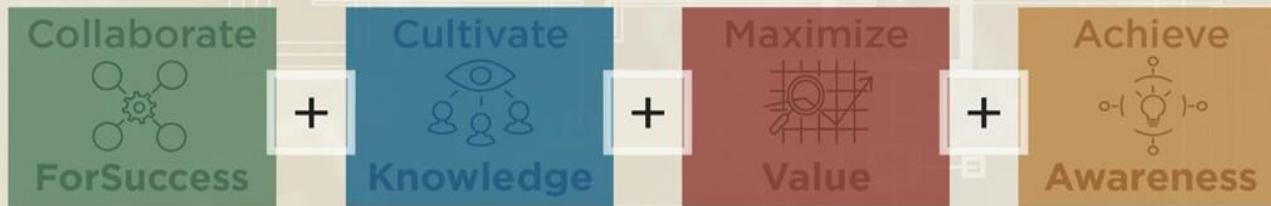
Potential Areas of Oversight (Cont.)

➤ Contractor Assessments

- IOA's will check that OLM's are only included in orders under Schedules authorized for OLM's and that contractor has been awarded the OLM SIN
- IOA's will check with compliance with applicable clauses:
 - Sales reporting, IFF remittance, TDR reporting, etc.
- Proper documentation for items exceeding the SAT (3 quote requirement)
- Trade Agreements Act (TAA)
- Quality/Technical Standards applicable at Schedule level (Schedule 71, Furniture)



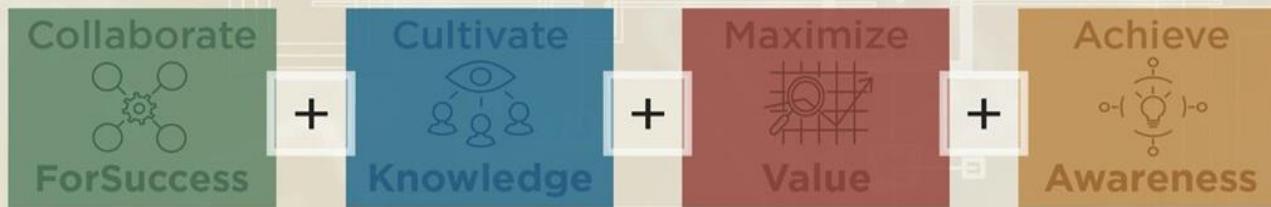
Best Practices for GSA Contractors



Best Practices: Systems and Policies

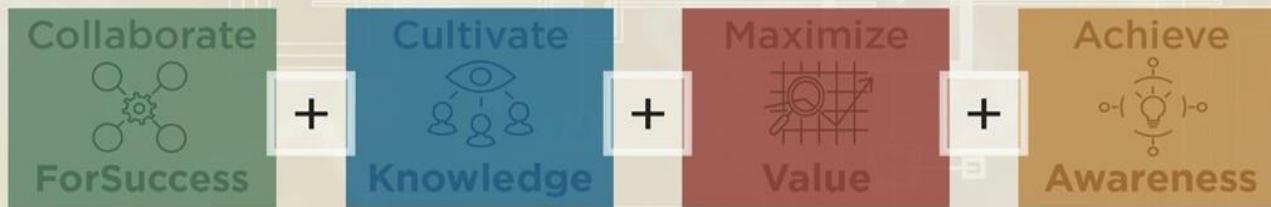
➤ Accounting System

- Ensure proper coding of OLMs as GSA items
- Establish capability to identify, track, and test order limit (33.33%) and OLMs over SAT
- Periodically test report accuracy (pull sales reports and sample orders)
- Understand if manual efforts are necessary in developing sales reports
- Are checks in place to flag irregularities?
- Can you segregate from and identify open market items?



Best Practices: Systems and Policies (Cont.)

- Develop Standard Operating Procedures (SOPs)
 - Describe identification of OLMs as GSA items and responsible parties
 - Establish procedures for quote retrieval and records retention for those OLMs exceeding the SAT
 - Ensure sales personnel and contract management personnel are following SOPs
 - Periodically test SOPs and update where appropriate
- Miscellaneous
 - Identify OLMs on invoices (not a requirement, but a recommended practice)
 - Define OLM categories on order (materials, equipment, labor)
 - **Remember:** Track BPA orders to ensure compliance with OLM order limit threshold



Best Practices: Contract Management

- Record retention (Quote Documentation)
- Perform market research and support CO price reasonableness requests
- Update Authorized FSS price list (no pricing required, simply list OLM SIN)
- Ensuring OLMs are TAA compliant
- Ensure applicable standards at the Schedules level applies to OLM's
- Report OLM sales under the correct SIN

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Maximize

Value

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Achieve

Awareness

