

Government Contracting by John W. Chierichella

Uncle Sam isn't in the express lane

I suspect that most readers can correctly identify the single largest purchaser of goods and services in the world: the U.S. government. After all, Uncle Sam buys not only bombs, bullets and satellite systems but also all the engineering work that makes those possible.

Our government also runs the largest business in the world. And to do that, it spends some \$40 billion every year to buy the same things every other business needs: pens, pencils, paper, copiers, computers, furniture and cleaning supplies.

It long ago decided that standard commercial products — and, more recently, standard commercial services — regularly purchased in the open market should not be procured using the cumbersome, expensive and time-consuming methods prescribed by regulation for goods and services peculiarly governmental in nature.

Instead, through the General Services Administration, the government developed the Multiple Award Schedule, allowing the GSA to negotiate with a supplier for an indefinite quantity/indefinite delivery contract establishing the price and other terms on which orders may be placed.

With that MAS contract, federal agencies may place individual orders without resorting to the detailed competitive procedures otherwise required by the Federal Acquisition Regulation.

Many companies with a predominantly commercial orientation approach the Multiple Award Schedule as a treasure trove of business opportunities that will afford

access to a significant flow of federal procurement dollars while avoiding the traditional snares of FAR-based sales.

For reasons that could, and do, fill a book, this approach is wrong. Before undertaking the obligations of a MAS contract, a company would be well advised to do some “advance work,” such as:

■ **Review and understand the commercial sales practices format.** Understand precisely just how detailed the required pre-award disclosures are and assess the extent to which you can collect and organize that required data.

■ **Review and understand the price reductions clause.** A lack of familiarity with the operation of this clause can transform an anticipated profit into a stream of red ink. Simply stated, this clause establishes a relationship between the price you extend to the government under your MAS contract and the prices for sales to an identified category of customers.

Disturb that relationship through reduced prices or more favorable terms for those customers, and you may unintentionally have guaranteed the government reduced prices and/or more favorable terms for the life of your MAS contract.

■ **Be frank.** If you take the two steps described above, you will come away from that review process with an appreciation for the specialized knowledge, skill, discipline and attention to detail necessary to perform a MAS contract while avoiding some of the key land mines scattered across the terrain. Armed with that learning — and

mindful that “a little learning is a dangerous thing”— ask yourself:

■ Are employees sufficiently skilled to administer a MAS contract? This is not a task for dilettantes. A MAS contract that is properly negotiated, successfully administered and profitably marketed requires the coordinated efforts of a cadre of trained professionals.

■ Do we have the discipline? Successful commercial enterprises rarely achieved their success by constraining or restraining their sales force. A MAS contractor that does not impose discipline on its sales function is likely to run afoul of the Price Reductions Clause.

■ Is management willing to instill in the staff, not only on the federal side but also on the commercial side, the discipline necessary to administer a MAS contract?

It is critical that management appreciate the importance of having that discipline on both sides of the house.

■ Are we willing to invest at the outset in the personnel, procedures and infrastructure to ensure a sensible contract with which we will be able to comply once we have it?

The time to address this question is before, not after, you have obligated yourself to comply.

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