



U.S. General Services Administration

Understanding Order Level Materials for Contractors



Agenda

- Historical Model
- New Model
- Order Level Materials (OLMs) Defined
- Authorized Schedules
- Special Ordering Procedures
- Government Considerations (Placing Orders with OLMs)
- Contractor Considerations (Pricing OLMs and Areas of Oversight)
- GSA Contractor Best Practices

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

Rollout Timeline

January 2018

GSA Issued OLM Final Rule

February 2018

GSA Issued CSA Final Rule

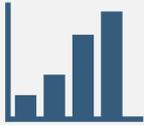
June 2018

OLM Rule incorporated in GSAR

August 2018

GSAR Technical Amendment

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
 - Contractor Team Arrangements (CTAs)
 - Open-market procedures (FAR 8.402(f))
- Authorized Schedules may be found at www.gsa.gov/olm

Order Level Materials (OLMs) Defined

- **GSAR 552.238-115 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.**

Order Level Materials (OLMs) Defined (*Cont.*)

- Commercial Supplier Agreements (CSA) Final Rule:
 - February 2018 GSAR Final Rule 2015-G512
 - Addresses common unenforceable terms (where federal law takes precedence) in supplier agreements

- “Materials” as defined in FAR Clause 52.212-4 (Contract Terms and Conditions – Commercial Items) Alternate I (Jan 2017):
 - A. **Direct materials**, including supplies transferred between divisions, subsidiaries, or affiliates of the contractor under a common control;
 - B. **Subcontracts** for supplies and incidental services for which there is not a labor category specified in the contract;
 - C. **Other direct costs** (e.g., incidental services for which there is not a labor category specified in the contract, travel, computer usage charges, etc.);
 - D. The following subcontracts for services which are specifically excluded from the hourly rate: [Each order must list separately **subcontracts for services excluded from the FSS Hourly Rates**];
 - E. **Indirect costs** specifically provided for in this clause.

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 552.238-115	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%)

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 552.238-77](#)

- *Submission and Distribution of Authorized FSS Schedule Pricelists*

[GSAR 552.238-81](#)

- *Price Reductions*

Administering Contracts with the OLM SIN (Cont.)

The following clause and terms apply to OLMs:

- [GSAR 552.238-80](#) - *Industrial Funding Fee and Sales Reporting*
 - Contractors are required to report sales and remit the IFF for all sales under the OLM SIN
- Transactional Data Reporting (TDR) requirements, if applicable
- Other terms and conditions
 - Trade Agreements Act (TAA)
 - Sales reporting and Industrial Funding Fee (IFF) remittance
 - Environmental Attributes clauses
 - AbilityOne Program Essentially the Same (ETS) compliance
 - Service Contract Labor Standards (SCLS)
 - Commercial products and services only

Administering Contracts with the OLM SIN (Cont.)

- The OLM SIN may not be the primary purpose of the order
- The cumulative value of the OLM SIN shall not exceed 33.33% of the total value of the order OR BPA
- Industrial Operations Analysts (IOAs) will check OLM compliance during contractor assessments and document the findings in the Contractor Assessment Report
- **IMPORTANT:** Contractors must report sales under the correct SINS in the Sales Reporting Portal (SRP) - OLM sales are reported under SIN 500 under legacy Schedules and “OLM” under the new single GSA Schedule

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 [552.238-115](#)(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 may be 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
 - may be firm fixed-fixed price or direct-reimbursable CLIN
 - does not require T&M D&F
- GSAR 552.238-115(d)(11)(i)(ii)
- Travel may also be handled IAW GSA clause C-FSS-370(b)

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?	✓

Contractor Considerations Pricing and Oversight

Methods for Pricing OLMs

- Cost-Based Methodology

- Recovery of Indirect Costs

- Per FAR 52.212-4 Alternate I(i)(1)(ii)(D)(2): Indirect Costs (Material Handling, Subcontract Administration, etc.). The Government will reimburse the Contractor for indirect costs on a pro-rata basis over the period of contract performance at the following fixed price (the Contracting Officer may insert **“Each order must list separately the fixed amount for the indirect costs and payment schedule or, if no reimbursement for indirect costs, insert ‘None’**)

- If contractor does not routinely engage in the practice of recovering indirect costs, they should NOT be proposed.
 - Proposed indirect costs must be inclusive of IFF

- Price-Based Methodology

- OLM's should be priced in the same manner as one would price commercially

Price Reasonableness

- Traditional Method for FSS contractors (FAR 8.4)
 - Below MPT: Place order with contractor; distribute orders among contractors
 - Over MPT, under SAT: Survey or issue RFQ to at least three contractors and make best value determination
 - Over SAT
 - Place order on a competitive basis by providing RFQ
 - Ensure that quotes will be received from at least three contractors that can fulfill the requirements. If three cannot be received the CO shall prepare a written determination that no additional contractors could be identified despite reasonable efforts (use of e-Buy meets fair notice)
- How will OCO's evaluate price reasonableness for OLMs?
 1. Using a comparison of other quotes received or
 2. Using other relevant pricing information (**in accordance with FAR 15.404**)

Price Reasonableness (*Cont.*)

- FAR 15.404 was referenced in an OLM GSA Training as the basis for price reasonableness
- Understand Price evaluation techniques under FAR 15.404:
 - Should not separately evaluate cost and profit
 - **Comparison of proposed prices** received in response to solicitation
 - **Comparison of the proposed prices to historical prices paid**
 - Either by the Government or other than the Government
 - Adjusted for similar terms and conditions
 - Should not be a significant lapse in time between data and current acquisition
 - Parametric estimating
 - **Comparison with published price lists**
 - Comparison with independent Government cost estimates.
 - Comparison against prices from **market research**
 - Analysis of data **other than certified cost or pricing data**

Price Reasonableness (*Cont.*)

- How can contractors prepare?
 - Contractors can perform market research to assist OCO where necessary and to determine a fair and reasonable price to be proposed
 - Check Schedule prices on GSA Advantage! (www.gsaadvantage.gov) or GSA eLibrary (www.gsaelibrary.gsa.gov) for comparable pricing information
 - Survey other contract vehicles
 - Research open market sources
 - Provide invoices from past sales
 - Use GSA tools such as CALC (for services) or commercially available product data
 - Refer to DoD Guidebook for Acquiring Commercial Items for other market research techniques

Potential Areas of Oversight

- 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?

- 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)
- Ensure OLMs are TAA compliant
- Ensure applicable standards at the Schedules level applies to OLM's
- Report OLM sales under the correct SIN