

# GSA contracts investigation helps restore goodwill with the government

The price reduction clause requires companies on General Service Administration schedule contracts to provide the government with their lowest price.

## Client's challenge

As the result of an acquisition and corporate reorganization, a company became responsible for two new business units that had Federal Supply Schedule contracts with the US General Services Administration (GSA). The company's internal audit team found that both new business units may have violated the price reduction clause in the GSA contracts. Concerned about the findings and the potential liability for several million dollars, the company enlisted PricewaterhouseCoopers (PwC) to determine if violations occurred, and if so, whether any mitigating factors existed that could reduce its potential exposure.

## PricewaterhouseCoopers' Advisory solution

The price reduction clause is in place to ensure the government receives a contractor's lowest price for products or services, based on the price it charges private-sector clients. Proving that an organization adhered to the clause is a complex undertaking. Organizations must rebuild their records to examine each sale to the private sector, and if a lower sale price is found, it must be analyzed to determine whether it was justified or must be refunded. Additionally, when a refund is warranted, determining the refund amount is cumbersome because the time period when the lower price prevailed must be pinpointed to adjust the price to the government for the same time period.

PwC employed sophisticated forensic technology tools to analyze thousands of lines of transactions. The team analyzed data related to at-risk transactions to determine if exceptions existed as a result of the definition of the target customer, disclosed deviations at contract negotiation, and/or transaction prices not available to the government as a result of not meeting certain requirements. PwC determined that the transactions may have resulted in violations of the price reduction clause.

To complete the analysis, PwC also reviewed the controls the client had in place to monitor compliance with the price reduction clause. Based on the analysis, the team developed recommendations to improve methodologies and integrate leading practices to mitigate any future potential violations.

## Impact on client's business

PwC's analysis allowed the company to significantly reduce the amount owed to the government as a result of non-compliance with the price reduction clause. The use of automated techniques allowed the customer to quickly address the issues and provide timely responses to the government. With the help of PwC, the company was also able to identify internal control deficiencies and implement new controls to mitigate the risk of future violations. These corrective actions provided significant goodwill with the government during settlement of the matter.

### For more information:

Joseph Barsalona  
(646) 471-5748  
[joseph.a.barsalona@us.pwc.com](mailto:joseph.a.barsalona@us.pwc.com)

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2009 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP (a Delaware limited liability partnership) or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate and independent legal entity. PM 09-0651 04/09 PH