



Highlights of [GAO-12-705T](#), a testimony before the Subcommittee on Contracting and Workforce, Committee on Small Business, House of Representatives

## Why GAO Did This Study

The GSA estimated that federal agencies spent about \$1.6 billion during fiscal year 2009 purchasing office supplies from more than 239,000 vendors. Concerned that federal agencies may not be getting the best prices available, Congress directed GSA to study office supply purchases by the 10 largest federal agencies. GSA delivered the results of its study in November 2010. The study also discussed GSA's efforts to implement an initiative focused on leveraging the government's buying power to realize savings when buying office supplies, known as OS II. Congress directed GAO to assess the GSA study, with particular attention to the potential for savings.

This testimony is based on the findings and conclusions of GAO's December 2011 report, [GAO-12-178](#), and focuses on (1) the support for the findings and conclusions in GSA's study, and (2) how GSA's new office supply contracts support the goal of leveraging the government's buying power to achieve savings.

## What GAO Recommends

GAO did not make any recommendations in its report, and is not making any in this testimony.

View [GAO-12-705T](#). For more information, contact William T. Woods, (202) 512-4841 or [WoodsW@gao.gov](mailto:WoodsW@gao.gov).

June 7, 2012

## OFFICE SUPPLIES

### Recent GSA Pricing Study Had Limitations, but New Initiative Shows Potential for Savings

#### What GAO Found

In 2010, the General Services Administration's (GSA) pricing study found that during fiscal year 2009, the 10 largest federal agencies accounted for about \$1.3 billion, or about 81 percent, of the total \$1.6 billion spent governmentwide in 14 categories of office supplies. About 58 percent of their office supply purchases were made outside of the GSA schedules program—a simplified process to take advantage of price discounts equal to those that vendors offer “most favored customers.” Most of these purchases were made at retail stores. GSA also reported that agencies paid an average of 75 percent more (a price premium) than schedule prices for their retail purchases and 86 percent more compared to Office Supplies II (OS II) prices.

While the GSA acknowledged some limitations with the study data, we identified additional data and other limitations that lead us to question the magnitude of some of GSA's reported price premiums and assertions. More specifically, we determined that the study may not have properly controlled for quantities, used two different formulas to calculate price premium estimates, and relied on interviews with senior level acquisition officials instead of purchasers to determine whether buyers compared prices before making purchases. We were not able to fully quantify the impact of these limitations. Additionally, other agencies questioned the study's specific findings related to price premiums, but their own studies of price premiums support GSA's conclusion that better prices can be obtained through consolidated, leveraged purchasing.

Available data show that the OS II initiative has produced savings of \$39.2 million from June 2010 through March 2012. According to GSA, the OS II initiative is demonstrating that leveraged buying can produce greater savings and has provided improvements for managing ongoing and future strategic sourcing initiatives. For example, GSA reports that OS II allowed it to negotiate discounts with vendors who were selected for the initiative. As governmentwide sales surpass certain targets, additional discounts are applied to purchase prices. Further, OS II has spurred competition among schedule vendors that were not selected for OS II, resulting in decreased schedule prices. The initiative is also expected to lower governmentwide supply costs through more centralized contract management. Another key aspect of the initiative is that participating vendors provide sales and other information to GSA to help monitor prices, savings, and vendor performance. Finally, GSA is capturing lessons learned from OS II and is attempting to incorporate these lessons into other strategic sourcing initiatives.