Defense Logistics Agency

SEPRT 14

Exclusive Distributor Price Documentation Requirements

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Procurement Process Support Directorate
Agenda

• DPAP Memorandum
• Potential Overpricing
• SSA Partner Expectation
• Actions To Date
• Future Actions
Subject: Access to Records with Exclusive Distributors/Dealers  
Dated: November 7, 2007  

Purpose:  
(1) Ensure Contracting Officers are SUCCESSFUL in obtaining necessary data for determining fair and reasonable prices for purchases from distributors when TINA does not apply.  
(2) Require contracting activity to notify DPAP when data is not provided and award must be made due to exigent circumstances.  

Background:  
- OEMs sell sole source products through distributors to the Government in some situations  
- In some cases Contracting Officers cannot determine prices to be fair and reasonable because distributors are unable to obtain the required data from OEM to provide to the Government.
(Background continued....)

- Distributors are responsible for supporting ALL proposal costs.
- Distributors do not have direct access to Mfg costs.

Specific DPAP Requirements:

- When TINA applies, the distributor and subcontractor (OEM) are required to provide certified cost or pricing data iaw FAR 15.403-4.
- When TINA does not apply, the distributor and subcontractor (OEM) are required to provide other than certified cost or pricing data iaw FAR 15.402.
- When TINA does not apply and distributor does not provide data, the HCA must determine if award is in the best interest of the Government iaw FAR 15.403-3(a)(4).
- DPAP must be notified when an award is made to a distributor w/o the required data to determine price fair & reasonable.
Potential Overpricing
Dealer/Mfg Relationships – FY 08

<table>
<thead>
<tr>
<th>Vendor</th>
<th>Expected Total</th>
<th>Total Paid</th>
<th>Potential Overpricing</th>
<th>% Paid More Than Expected</th>
<th>Lead Time Change % (Dealer/OEM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dealer A</td>
<td>$ 6,826,087</td>
<td>$ 9,950,800</td>
<td>$ 3,124,713</td>
<td>45.8%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Dealer B</td>
<td>$ 12,176,679</td>
<td>$ 17,969,193</td>
<td>$ 5,792,514</td>
<td>47.6%</td>
<td>29.5%</td>
</tr>
<tr>
<td>Dealer C</td>
<td>$ 10,385,980</td>
<td>$ 19,856,732</td>
<td>$ 9,470,752</td>
<td>91.2%</td>
<td>-14.1%</td>
</tr>
<tr>
<td>Dealer D</td>
<td>$ 14,243,849</td>
<td>$ 20,449,812</td>
<td>$ 6,205,963</td>
<td>43.6%</td>
<td>-10.4%</td>
</tr>
<tr>
<td>Dealer E</td>
<td>$ 3,036,999</td>
<td>$ 5,077,813</td>
<td>$ 2,040,814</td>
<td>67.2%</td>
<td>-15.6%</td>
</tr>
<tr>
<td>Dealer F</td>
<td>$ 6,975,200</td>
<td>$ 9,919,244</td>
<td>$ 2,944,044</td>
<td>42.2%</td>
<td>8.8%</td>
</tr>
<tr>
<td>Dealer G</td>
<td>$ 577,339</td>
<td>$ 1,034,709</td>
<td>$ 457,370</td>
<td>79.2%</td>
<td>-40.2%</td>
</tr>
<tr>
<td>Dealer H</td>
<td>$ 212,454</td>
<td>$ 517,157</td>
<td>$ 304,703</td>
<td>143.4%</td>
<td>17.3%</td>
</tr>
<tr>
<td>TOTALS:</td>
<td>$ 54,434,587</td>
<td>$ 84,775,460</td>
<td>$ 30,340,873</td>
<td>55.7%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Overall we have experienced a 56% increase in prices paid – with small lead time reductions when contracting with a distributor versus the actual manufacturer.
SSA Partner Expectation

- Value added to War Fighter in distributor arrangement
- Value added
  - Reduction in price
  - Reduction in lead time
  - Improved Service
- Provide cost information when requested by distributors
Actions To Date

• Analyzed pricing from distributors where we paid more for OEM Sole Source parts than we expected to pay.
• Provided reports to DLA Acquisition Mgmt and DPAP on those companies
• HCA sent letters to those companies expressing concern over pricing issues
Future Actions

• HCA plans to meet with the CEOs of distributors to address pricing issues
• HCA may contact OEMs to obtain pricing data / information
• Refer problematic offenders to DLA Acquisition Management and DPAP