

August 1998

FEDERAL PRISON INDUSTRIES

Information on Product Pricing



General Government Division

B-277995

August 24, 1998

The Honorable Peter Hoekstra
The Honorable Mac Collins
The Honorable Roscoe G. Bartlett
The Honorable Nathan Deal
House of Representatives

This report responds to your July 8, 1997, request for information on Federal Prison Industries' (FPI) product pricing. Specifically, our objectives were to (1) describe the laws and regulations governing how FPI is to price its products, (2) describe the policies and procedures FPI uses to ensure that its products are priced in accordance with the laws and regulations, (3) determine whether FPI followed these policies and procedures when it set prices for selected products, and (4) compare FPI's prices with those charged by private vendors for selected products.

As you know, federal agencies are generally required to buy FPI products, but not services, because 18 U.S.C. 4124 established FPI as a mandatory source supplier for products. You requested this work because of concerns with FPI's pricing practices and the possibility that federal agencies might be paying higher than competitive fair market prices when they purchase products from FPI.

To meet our objectives, we interviewed officials and performed audit work at FPI's headquarters located in Washington, D.C.; FPI's Product Support Center located in the federal correctional institution in Englewood, CO; and six FPI factories located in federal correctional institutions in Butner, NC, and Fort Worth, TX. We also spoke with officials from the General Services Administration's (GSA) Federal Supply Service, the Defense Logistics Agency (DLA), and several other federal agencies that purchase products from FPI and from selected private vendors. We reviewed FPI's legislation, the Federal Acquisition Regulation (FAR), FPI policy and procedures regarding product pricing that were in effect when we began our work and the revised policy and procedures that were issued in February 1998, and legal opinions pertaining to FPI's mandatory source status.

We also determined how FPI established prices for the 20 products that we selected for price comparisons. We judgmentally selected products that generated high dollar sales in fiscal years 1996 and 1997 and that were purchased by federal agencies from both FPI and private vendors. We analyzed how FPI established prices for the 20 products and determined

whether these prices were established in accordance with FPI policy and procedures that were in effect when we began our work. We then compared FPI's prices for these products with the prices charged or offered by private vendors for the same or comparable products. We were able to compare actual prices paid to FPI and private vendors for the electronic and textile products because we identified that DLA had purchased identical products from both FPI and private vendors in similar quantities. For the furniture products, we compared FPI's catalogue prices with the prices offered by private vendors for comparable products that were listed on GSA's Federal Supply Schedules. The results of our price comparisons are not projectable to the universe of all FPI products. We did not include services in our price analysis because of the difficulties associated with identifying comparable service contracts that federal agencies awarded to both FPI and private vendors.

We did our work between July 1997 and June 1998 in accordance with generally accepted government auditing standards. Appendix I provides more details about our objectives, scope, and methodology. We requested comments on a draft of this report from the Director, Bureau of Prisons (BOP). These comments are discussed near the end of this letter and are reprinted in appendix II.

Results in Brief

Federal agencies are required by law—18 U.S.C. 4124—to purchase FPI products if they are available, meet the agencies' requirements, and do not exceed current market prices. However, neither the law nor the FAR defines current market price or provides guidance on how such a price is to be determined. A 1931 Comptroller General Decision¹ cited a decision by the Board of Arbitration for Prison Industries, which stipulated that FPI is not required to set its prices at the lowest bid price to comply with the current market price requirement. On the basis of these decisions, we concluded that the only limitation on FPI's price is that it may not exceed the upper end of the current market price range.

Furthermore, a 1993 legal opinion issued by the Department of Justice found that the mandatory preference granted FPI is an exception to the rules that normally govern the way federal agencies procure products, and therefore, FPI is not covered by the FAR's fair and reasonable price standards. Consequently, if FPI does not provide all verifiable facts supporting its price or does not reduce its price to what a federal agency considers reasonable, the agency must still abide by the mandate and buy

¹11 Comp. Gen. 75, 77 (1931).

available products from FPI. Federal agencies' contracting officials can request that FPI waive its mandatory status and allow them to purchase products from other sources. However, the FAR and FPI policy state that waivers based on price alone will not ordinarily be issued when FPI's product price does not exceed current market price.

FPI's May 1995 policy and procedures that were in effect when we began our review in July 1997 recognized that FPI products were to be sold at prices that did not exceed current market prices. However, the policy and procedures did not specifically define current market price. The procedures simply stated that (1) when comparable products are on GSA's Federal Supply Schedule, the schedule prices should be used to determine current market prices; (2) when comparable products are generally available from vendors but are not on GSA's schedule, a review of private sector prices should be the basis for establishing a range of current market prices; and (3) if comparable products cannot be identified, FPI's cost to manufacture the product plus a reasonable profit to be determined by FPI management should be used.

FPI's procedures did not specify how many prices had to be checked to constitute a market or how frequently prices should be checked. Further, FPI policy did not require the product divisions to document the market surveys or other methods that they used when setting prices for FPI's products. However, on February 18, 1998, FPI issued its revised pricing policy and procedures. The new policy (1) defines current market price as the price that could be obtained from competitors for the same or a comparable product, (2) prescribes specific procedures for the product divisions to follow in establishing prices that do not exceed current market prices, and (3) requires the product divisions to document the methods used in setting prices.

Our analysis of how FPI established prices for 20 selected products showed that for 13 of the products, the divisions followed FPI's pricing policy and procedures that were in effect when we began our review. For the remaining seven products, all furniture products, we could not determine whether FPI followed its own policy and procedures in establishing prices for these products because FPI did not have sufficient documentation showing how prices were established.

Our comparison of FPI's catalogue or actual prices for 20 products with private vendors' prices for the same or comparable products showed that FPI's prices for 16 of the products were not the highest. However, FPI's

prices for 5 of these 16 products were at the higher end of the price range offered by private vendors. FPI's prices for the remaining four products were the highest of all prices we reviewed. Further analysis of product pricing information for the 20 products showed that FPI's prices for 17 of the products were not the highest prices offered to the government, and, therefore, we concluded that the prices were within the current market price ranges; FPI's prices for 2 products may have been within the current market ranges; and for 1 product, FPI and GSA did not agree on product comparability, so it was not clear whether FPI's price was within the current market range.

Background

FPI is a government corporation that is managed by Justice's BOP. Congress created FPI to serve as a means for managing, training, and rehabilitating inmates. Operating on a nonappropriated-fund basis, FPI employs federal inmates at its factories, which are located within federal correctional institutions, to produce goods and services that are sold for profit to federal agencies. Under the trade name UNICOR, FPI markets about 150 types of products and services that are produced by 5 major product divisions: (1) electronics, (2) furniture, (3) graphics and services, (4) metals, and (5) textiles. At the end of fiscal year 1997, FPI employed over 18,400 inmates at 96 factories nationwide and had sales totaling \$513 million. FPI retains earnings from its sales to fund inmate vocational education programs, provide inmate accident compensation, acquire and maintain plant facilities, and maintain a reserve for future uses.

Congress recognized that FPI would compete directly with private sector companies for the federal government's business. However, Congress did not intend for FPI's activities to impose a hardship on private industry, force private vendors out of business, or have a significant adverse effect on private sector employment. Aspects of the law aimed at achieving these ends mandate that FPI can sell only to federal agencies, and FPI is required, so far as practicable, to produce a diversified line of products so that no single industry will face an undue burden of competition. Also, as a correctional program, FPI is required to train and employ as many inmates as feasible using labor-intensive methods of operation.

FPI Product Prices Should Not Exceed Current Market Prices

FPI's enabling statute (18 U.S.C. 4124) requires federal departments, agencies, and government institutions to purchase products from FPI, at prices not to exceed current market prices, if FPI's products meet their requirements and are available. FPI's mandatory source status is discussed

in FAR Subpart 8.6 relating to acquisition from FPI, which states that federal agencies shall purchase required products from FPI at prices not to exceed current market prices. However, neither FPI's legislation nor the FAR defines current market price or specifies how such a price is to be established. The FAR also encourages federal agencies to purchase services from FPI to the maximum extent practicable, but FPI is not a mandatory source for services.

Over the years, supporters and critics of FPI have debated FPI's mandatory source status and whether FPI provides products at a fair and reasonable price. In fact, even before FPI was established as a government corporation in 1934, federal agencies were required to buy products from prison industries, and there were challenges to the prices charged by prison industries. For example, our research found that in December 1930, the War Department challenged the prison industries' price for brushes because it was considerably higher than the prices the Department had previously paid private vendors. Responding to this pricing dispute, the Board of Arbitration for Prison Industries issued a decision in February 1931 that prison industries did not have to set its price at the lowest bid price in order to comply with the current market price requirement. In our 1985 report,² we relied upon the Board's 1931 decision and the corresponding Comptroller General's Decision (11 Comp. Gen. 75, 77 (1931)), which cited the Board's decision, in concluding that the law and regulations governing FPI do not specify where in the market price range FPI's prices should fall. The report concluded that the only limit the law imposes on FPI's price is that it may not exceed the upper end of the current market price range.

A more sweeping opinion on FPI's status and how it may price products sold to federal agencies was issued by Justice in September 1993.³ In this opinion, Justice found that the mandatory preference granted FPI is an exception to the rules that normally govern the way products are procured by federal agencies, and therefore, procurements from FPI are not covered by the FAR's standard provisions.⁴ The opinion specifically concluded that the provisions of the FAR governing the submission of certified cost or

²UNICOR Products: Federal Prison Industries Can Further Ensure Customer Satisfaction (GAO/GGD-86-6, Nov. 1, 1985).

³Application of the Federal Acquisition Regulations to Procurement From Federal Prison Industries, Department of Justice, Office of Legal Counsel (Sept. 13, 1993).

⁴Most federal procurement is accomplished through contracts with private sector companies, and these contracts are subject to the general terms of the FAR. With such contracts, the FAR promotes a number of goals, including full and open competition.

pricing data;⁵ the calculation of a reasonable price, other than market price; and the general FAR provisions for resolving pricing disputes do not apply to FPI.

Also, the Justice opinion noted that nothing in FPI's charter, or in the FAR, suggests that governmental entities may ignore the mandatory priority simply because FPI will not accede to all requested contract terms during negotiation. Thus, if FPI does not provide certified pricing data or does not reduce its price to what a federal agency considers a reasonable price, the agency must still abide by the mandatory priority and buy available products from FPI. Finally, the Justice opinion concluded that FPI may use any method that reliably estimates current market prices, subject to dispute by potential customers prior to purchase and arbitration under the applicable law.

FPI's Former Pricing Policy and Procedures Did Not Ensure That Prices Were Within Current Market Price Range

FPI's overall policy is that its products should be sold at prices that (1) will keep the corporation financially self-sufficient and (2) are not in excess of current market prices. Despite recognizing the statutory requirement that its product prices should not exceed current market prices, FPI's May 1995 policy and procedures that were in effect when we began our review did not adequately define current market price. Nor did the procedures specify how many prices should be checked to constitute a market or how frequently prices should be checked. In addition, FPI's policy did not require the product divisions to document the market surveys or other methods they used when setting prices for FPI's products. Consequently, FPI management was not in a good position to ensure that its products were priced in accordance with the statutory pricing standard, current market price.

FPI's procedures did provide general guidance for the product divisions to use when establishing prices for products. The procedures instructed the product divisions to determine current market price in the following ways:

- When a comparable product is found on GSA's Federal Supply Schedule, the schedule prices should be used to determine the current market price.
- When a comparable product is not on GSA's schedule but is generally available from private vendors, a review of private sector prices (market survey) should be the basis for establishing a range of current market prices.

⁵The FAR defines cost or pricing data as all verifiable facts, at the date of price agreement, that prudent buyers and sellers would reasonably expect to significantly affect price negotiations.

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- When comparable products cannot be identified or FPI has been the sole provider, current market price should be determined using FPI's cost to manufacture (including applicable overhead and administrative costs) plus a reasonable profit, as determined by FPI management.

The procedures also stated that when federal agencies request waivers to purchase products from other sources, a waiver should not ordinarily be issued when FPI's price does not exceed current market price. However, according to FPI senior officials, their management philosophy is to operate in a more customer-focused fashion, and, thus, they do not require federal agencies to buy their products simply because FPI has mandatory source status. These officials said that, in practice, when they cannot offer prices comparable to private vendors' prices, they often grant waivers allowing federal agencies to purchase products from private vendors.

However, the decision to grant or deny a waiver remains in FPI's control. The FAR outlines the circumstances under which waivers are ordinarily available from FPI and informs federal agencies about where to request a waiver. Specifically, FAR Part 8.604(c) states that when a contracting officer believes that FPI's price exceeds the market price, the matter may be referred to the appropriate product division or to FPI's headquarters office in Washington, D.C. FAR Part 8.605(b) states that waivers to purchase products from a vendor other than FPI are not normally authorized simply because the vendor offers a lower price. If the FPI product division rejects the contracting officer's request for a waiver, FPI procedures allow an appeal of the waiver denial to be made to the FPI Ombudsman in Washington, D.C. Disputes regarding price or other matters that cannot be resolved within FPI are subject to binding arbitration by a board consisting of the Attorney General, the Administrator of General Services, and the President or their representatives. FPI officials said that they did not believe the Board of Arbitration had met very often and that they were unaware of any disputes that had been appealed to the board since the 1960s. We were unable to identify any disputes that had been appealed to the board since the 1930s.

We did not assess FPI's waiver process or complete a comprehensive review of the circumstances under which waivers are requested and granted or denied because this was beyond the scope of our work. We did discuss waivers with FPI officials, including the Ombudsman who decides federal agencies' appeals of waiver requests that were denied by FPI's product divisions. The Ombudsman said that in fiscal year 1997, FPI received 11,895 waiver requests for an unknown number of products

valued at approximately \$302 million. FPI approved waiver requests for products valued at about \$251 million, or 83 percent of the dollar value of the products for which waivers had been requested. The Ombudsman explained that a single waiver request may include multiple products that federal agencies wish to buy from sources other than FPI. She also said that price disputes do not normally result in a significant number of waiver requests.

We queried an FPI database that contains information on waivers and determined that FPI granted or denied waivers on 29,387 products in fiscal year 1997. Waivers for 982, or 3 percent of these products, cited FPI's price as the reason for the waiver request. Our analysis also showed that FPI approved waivers on 24,304, or about 83 percent, of the products, and 907 of these resulted because FPI could not meet the customers' price requirements. Thus, FPI data showed that it granted 92 percent of the waivers that were requested based on price. We did not, however, determine the accuracy of the information in FPI's database.

We discussed FPI's pricing policy and procedures with FPI officials and told them that we were concerned that the policy and procedures in effect at the time of our review had not implemented our 1985 recommendations to define current market price and provide pricing methods that the product divisions could use to help ensure that FPI's products were priced within current market prices. According to senior FPI officials, FPI's pricing policy and procedures had been revised since our 1985 recommendations. In fact, FPI's 1986 policy statement, which was updated in 1991, defined current market price and required that the methods used in setting product prices be documented. However, this policy was rescinded in March 1995, around the time that the pricing policy and procedures that were in effect when we began our review became effective. FPI officials could not explain why this rescission occurred, and they agreed that the policy and procedures that were in effect at the time of our review were vague and needed to be changed.

On February 18, 1998, FPI issued a more comprehensive pricing policy and procedures, which included some of the same guidance that was contained in the 1986 and 1991 policy statements.⁶ The revised policy and procedures define current market price for FPI products as the price that could be obtained from competitors for the same or equivalent products or services when a contract is awarded. Senior managers in each product division are assigned responsibility for establishing selling prices for FPI's

⁶U.S. Department of Justice, Federal Bureau of Prisons Program Statement Number 8224.01.

products and for ensuring that FPI's prices do not exceed current market prices, as required by federal statute. When setting prices for products, FPI officials are instructed to consider all comparable products except those products that were priced to undercut normal market conditions. Also, each product division is responsible for establishing pricing files that fully document how prices were established and for reviewing, on a biannual basis, all major products to ensure that prices are within current market ranges. Finally, adherence to FPI's procedures is subject to regular review by BOP's Program Review Division. We did not evaluate the extent to which FPI's product divisions are following the revised pricing policy and procedures, but it appears that if fully and effectively implemented, the new policy and procedures should satisfy our 1985 recommendations.

FPI did not have a different policy or set of procedures for the product divisions to follow when establishing prices specifically for services. However, FPI officials told us that because FPI is not a mandatory supplier for services, they clearly recognize that to be awarded contracts to provide services to federal agencies, FPI must offer prices that are comparable with those offered by private vendors. According to FPI officials, the final price for a service contract is arrived at through negotiations, and the customers determine who offers the best service at the lowest reasonable cost. We did not determine whether federal agencies generally award contracts to FPI to perform services after competition with private vendors or as the result of noncompetitive negotiations with FPI. About 8 years ago, FPI believed that its mandatory source status included services. However, GSA disagreed and requested a Justice opinion on whether the same mandatory source priority that FPI has for products should be applied to services. In November 1989, Justice issued an opinion that the mandatory source priority given to FPI under 18 U.S.C. 4124 does not apply to services.⁷

Many Products We Reviewed Were Priced According to FPI Policy and Procedures

FPI's officials established prices for many of the 20 products we reviewed in accordance with the May 1995 pricing policy and procedures that were in effect at the time the product prices were determined. Specifically, three of the four product divisions we reviewed demonstrated that they followed FPI's policy and procedures when they set prices for 13 of 20 products reviewed. Our review of the pricing files for three electronic components, seven textile products, and three systems furniture workstations showed that the respective product divisions had sufficiently documented their pricing methodologies to demonstrate that FPI's pricing

⁷Scope of Procurement Priority Accorded to the Federal Prison Industries under 18 U.S.C. 4124, Office of Legal Counsel (Nov. 8, 1989).

policy and procedures had been followed. However, for the seven remaining products—four ergonomic chairs and three pieces of dorm and quarters furniture—there was insufficient documentation to show that the fourth product division—furniture—followed FPI’s pricing policy and procedures when it set prices for these products.

We found that in practice, FPI officials sometimes used a combination of the pricing methods outlined in FPI’s procedures. For example, both the textiles and electronics divisions established product prices that were based on a combination of manufacturing cost analysis and price negotiations with the prospective customers. Specifically, for the seven textile products and three electronic products, FPI officials first developed a unit cost estimate, which they said documented the direct and indirect costs associated with making each of the products. In developing the unit cost estimates, FPI officials reviewed previous contract files and databases to obtain current prices for the raw materials that were necessary to manufacture the textile and electronic products. After FPI’s costs to manufacture the products had been determined, senior managers in the textiles and electronics divisions added on profit and thereby established FPI’s initial price quotes.

After FPI developed and submitted its price quotes in these cases to DLA, it generally entered into price negotiations with DLA on the textile and electronic products. To illustrate this situation, FPI’s price for one textile product, a fragmentation vest, resulted from extended negotiations with DLA. In September 1996, FPI submitted its initial price quote of \$402.30, but DLA rejected this price and recommended contract negotiations with FPI to establish a fair and reasonable price. FPI countered with several offers that DLA also rejected. Then, in December 1996, after several rounds of price negotiations, DLA officials decided that its current market price for the fragmentation vest was \$349.40. FPI agreed to this price and entered into a contract with DLA that same month.

The senior manager from the metals division told us that FPI’s final selling price for systems furniture is determined only after a detailed analysis of the prospective customer’s needs has been completed. Further, the selling price is sometimes negotiated and may include a discount from FPI’s initially offered price. For example, the Social Security Administration, FPI’s largest customer for systems furniture, is currently receiving a 3-percent discount on all purchases of systems furniture. FPI’s starting point for pricing systems furniture, such as the three workstations included in our review, begins with the price it pays the OEI Division of

Krueger International for the component parts necessary to manufacture a specific workstation. According to an FPI official, after determining the cost for parts, FPI adds all direct labor costs and indirect costs associated with making the finished product plus profit to determine FPI's price for each systems furniture workstation.

According to the FPI official, FPI's price for systems furniture will not exceed the price charged by its vendor for the same product. The official also said that this helps ensure that FPI's price is within the current market price range. In addition, we reviewed a 1994 FPI market survey of 14 major private sector vendors that competed with FPI to sell systems furniture to federal agencies. This market survey found that FPI's prices were about halfway between the highest and lowest prices of the 14 private vendors.

The senior program manager from FPI's furniture division told us that when establishing prices for furniture products, he first determines whether comparable products are available on the GSA Federal Supply Schedule or from private vendors. When comparable products are available, he prices FPI's products within the range of prices charged by private vendors. For the four ergonomic chairs and three pieces of dorm and quarters furniture that we reviewed, the FPI official told us that he and his staff consulted various private sector catalogues and GSA schedules to ensure that FPI's prices did not exceed the range of prices charged by private vendors for comparable products. However, the officials from FPI's furniture division did not document the results of these market surveys. Therefore, we could not independently determine that they followed FPI's pricing policy and procedures when they established the prices for these products.

Prices for Most Products Reviewed Were Within Current Market Price Range

As previously discussed, FPI's price for a product does not have to be the lowest price available or even in the lower range of market prices to satisfy the statutory requirement that its price not exceed current market price. The only limit the law imposes on FPI's price is that it may not exceed the upper end of the current market price range. If FPI's price did not exceed the highest price offered to the government, we concluded that FPI's price was within the current market range. Our comparison of FPI's prices for 20 products with private vendors' catalogue or actual prices for the same or comparable products showed that for 16 of the products, FPI's prices were not the highest. Therefore, FPI's prices for these products were within the current market range.

As shown in table 1, FPI's unit price did not exceed the highest price offered or charged by private vendors for most of the products included in our analysis. These products represent, however, only a small sample of the products sold by FPI in fiscal years 1996 and 1997. Therefore, the results of our price comparisons are not necessarily indicative of the overall extent to which FPI's prices are within the current market price range.

Table 1: Comparison of Selected FPI and Private Vendor Product Prices

Product type	FPI product prices were not highest	FPI product prices were highest	Total FPI products sampled
Dorm and quarters furniture	2	1	3
Systems furniture unit	3	0	3
Ergonomic chair	4	0	4
Textile	6	1	7
Electronic	1	2	3
Total	16	4	20

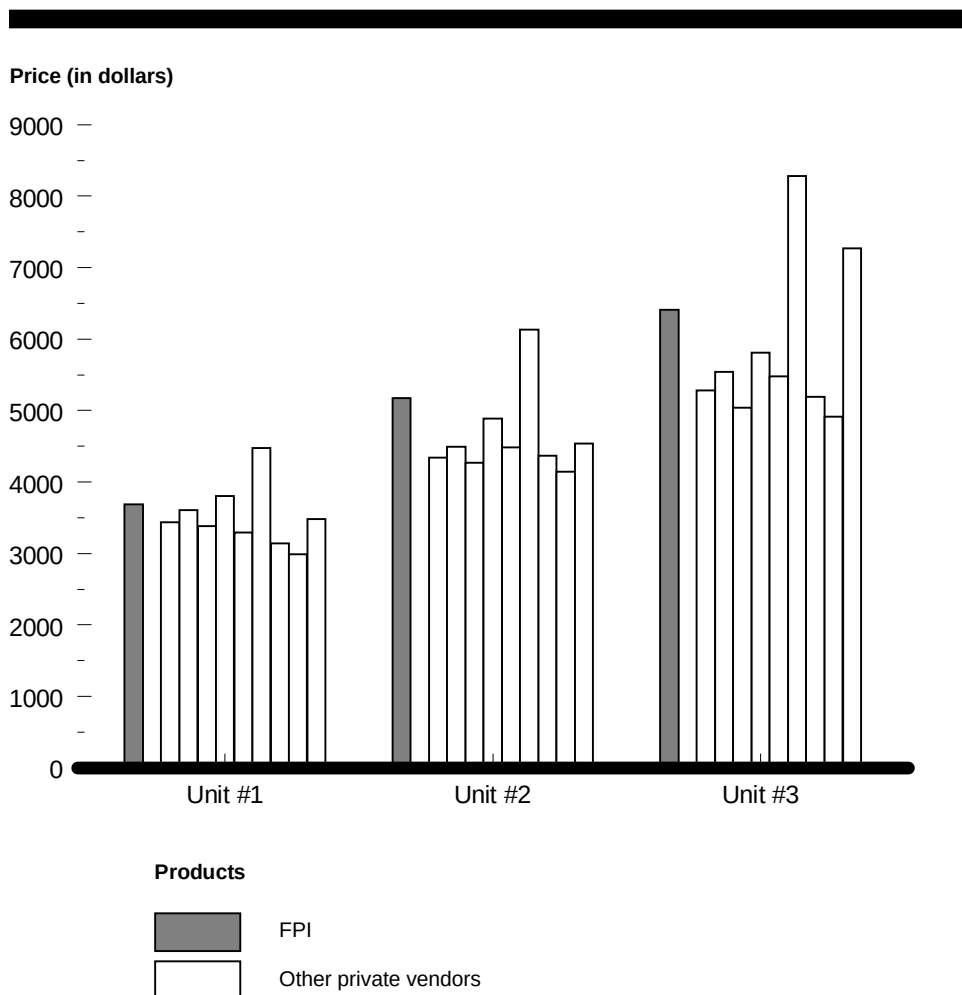
Source: GAO analysis of FPI's and private vendors' prices for selected products.

Although FPI's prices for 16 of the products reviewed did not exceed current market prices, prices for 5 of these products were at the high end of the range of prices offered by private vendors. In other words, federal agencies might have been able to purchase these products at lower prices, if they were not required to purchase FPI products that are priced at the high end of the market range. For example, we compared three configurations of systems furniture workstations manufactured by FPI with comparable workstations manufactured by private vendors listed on GSA's Federal Supply Schedule. This comparison showed that FPI's prices were higher than 81 percent of the prices offered by private vendors for comparable workstations and lower than 19 percent of the prices.

More specifically, our analysis showed that FPI's price of \$3,686 for the smallest of the workstations was higher than the prices offered by seven private vendors and lower than the prices offered by two vendors. For another workstation configuration, FPI's price of \$5,174 was higher than the prices of eight private vendors and lower than one vendor's price. FPI's price for the supervisory workstation was \$6,410, which was higher than the prices of seven private vendors and lower than the prices of two

vendors. Figure 1 shows a comparison of FPI's price with the prices offered by private vendors for each of the three workstations we reviewed.

Figure 1: FPI's Prices for Selected Systems Furniture Units Compared With Prices of Private Vendors

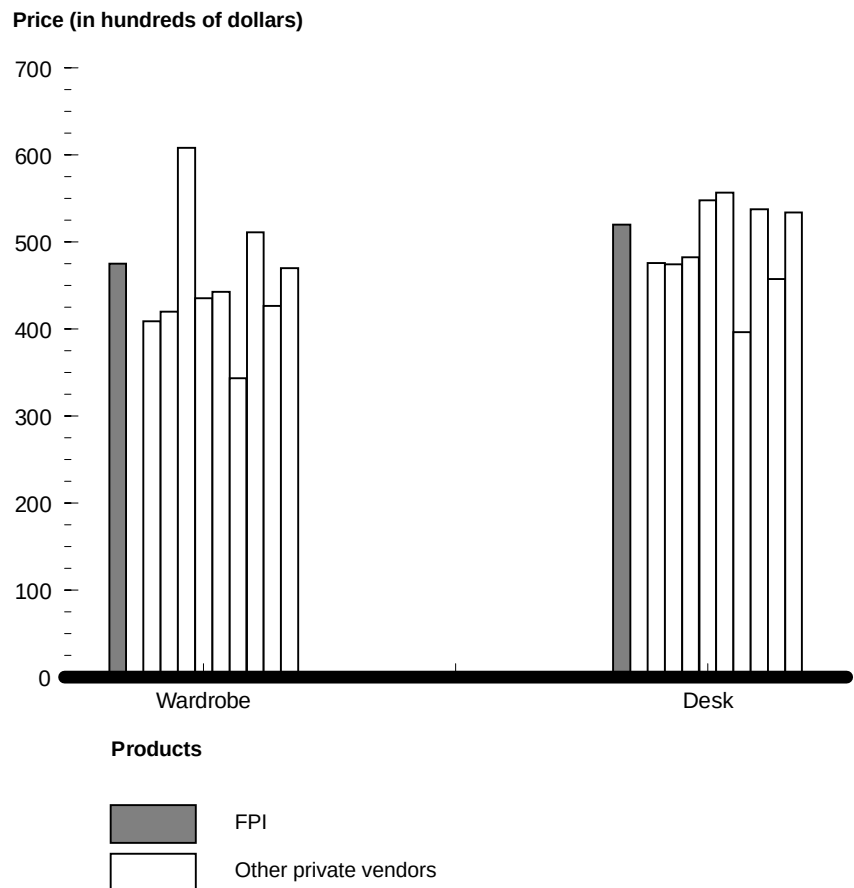


Source: GAO analysis of FPI's prices and private vendors' prices for selected products.

In addition, two of the dorm and quarters furniture pieces that we reviewed were at the high end of the range of prices offered by private

vendors for comparable products. FPI's price of \$475 for a wardrobe was higher than the prices offered by seven of the nine private vendors that sold comparable wardrobes on GSA's Federal Supply Schedule. The private vendors' prices ranged from \$344 to \$608. Similarly, FPI's drop-lid desk was priced higher than five of the nine vendors' comparable products. FPI's price for the desk was \$520 and the vendors' prices ranged from \$396 to \$557. Figure 2 shows a comparison of FPI's prices for the wardrobe and desk with prices offered for comparable products by private vendors.

Figure 2: FPI's Prices for Selected Dorm and Quarters Furniture Compared With Prices of Private Vendors



Source: GAO analysis of FPI's prices and private vendors' prices for selected products.

FPI's unit prices for the four remaining products reviewed—two cable assemblies, a fragmentation vest used by military combat personnel, and a bunk bed—were higher than the catalogue or actual prices charged or offered by the private vendors that we reviewed for the same or comparable products. However, FPI officials provided various reasons why its prices were higher for these products. On the basis of these reasons, the evidence suggests that FPI's price for one of the cable assemblies was within the current market price range, and prices for the other cable assembly and a fragmentation vest may have been within the current market ranges. For the bunk bed, however, it was not clear whether FPI's price was within the current market range because FPI and GSA disagreed on whether a higher priced bed was comparable.

DLA purchased two cable assemblies, one in 1996 and the other in 1997, in similar quantities from FPI and private vendors. The first cable, which is used on various Department of the Army radios, was purchased in October 1996 from FPI at a unit price of \$77.45. Approximately 6 months earlier, DLA had purchased this same cable from a private vendor for \$69.90. We discussed this price variance with DLA and FPI officials who said that FPI's price was within the current market range at the time of contract award. The DLA official explained that the price for the cable had been escalating due to increasing material costs; and, by September 1996, DLA estimated its market price at \$76.87. Therefore, FPI's price quote of \$77.45 was accepted because it was within 1 percent of the estimated market price; and it was considerably lower than three other quotes of \$111, \$285, and \$313 that DLA received from private vendors. When these quotes are compared with FPI's quote, FPI's price of \$77.45 is within the current market range.

FPI's price for the second cable, which is used on Department of the Navy aircraft, was \$592.96, but approximately 4 months earlier, DLA had purchased the same cable from a private vendor for \$436. We discussed this case with DLA and FPI officials to determine why the price had increased. The DLA official told us that FPI's price was well below DLA's estimated market price of \$700.60 at the time the contract was awarded. This official also said the price for this cable assembly had increased primarily because of engineering changes to the product, higher material costs, and an increasing demand for a limited supply of cables. FPI officials agreed that increasing material costs contributed to FPI's higher unit price. On the basis of these factors, FPI's price for this product may have been within the current market range.

The third product, the fragmentation vest, was purchased by DLA in December 1996. According to DLA, FPI initially offered a price of \$402.30, but a lower unit price of \$349.40 was negotiated for a minimum order of 49,000 vests and a maximum of 60,000 vests. Two months after awarding the contract to FPI, DLA awarded a contract to a private vendor to supply a smaller quantity (29,635) of fragmentation vests at a unit price of \$332.88. We discussed this case with FPI and DLA officials who said that FPI's higher price was justified, and it was within current market price. Their opinion was supported by DLA's price analysis of FPI's quote, which concluded that a higher unit price was justified primarily because FPI was supplying more extra-large-sized vests and these vests contained more of the expensive material, Kevlar. The officials explained that the contract with FPI calls for a much larger number and higher proportion of extra-large fragmentation vests than does the contract with the private vendor. Thus, FPI's price for this product may have been within the current market range.

Finally, FPI's catalogue price of \$230 for a single bunk bed was 11 percent more than the highest price and 81 percent more than the lowest price offered by the private vendors that we reviewed. We discussed this price difference with officials from GSA and FPI to obtain their views. An official from GSA's National Furniture Center confirmed that the nine vendors they had originally identified are the only vendors on GSA's schedule that sell bunk beds comparable to FPI's bed. FPI officials disagreed and told us that they had identified an additional bed on GSA's schedule they believed was comparable to their own, and that the price for this bed was \$274. GSA officials told us, however, that they did not consider this bed comparable to FPI's bed because it was constructed with more expensive materials and thus should cost more than FPI's bed. Because of the difference of opinion on product comparability, it was not clear whether FPI's price for the bunk bed was within the current market range. Also, FPI officials said that dorm and quarters furniture is typically sold in sets as opposed to individual pieces of furniture. Therefore, they suggested that we compare FPI's total or package price for the bed, wardrobe, and desk with the package prices of the private vendors. We made such a comparison and found that FPI's package price of \$1,225 was, in fact, lower than one private vendor's price of \$1,290.61, but FPI's price was higher than eight private vendors' prices.

In summary, for the 20 products we reviewed, FPI's prices for 17 products were not the highest offered to the government, and therefore we concluded that the prices were within the current market price ranges; FPI's prices for 2 products may have been within the current market ranges; and for 1 product, it was not clear whether FPI's price was within

the current market range. Prices for each of the 20 FPI selected products and the prices charged or offered by private vendors for the same or comparable products are provided in appendix III.

Conclusions

FPI and the private sector produce comparable products that are sold to the federal government. By law, FPI has a procurement preference over the private sector in selling products to federal agencies. Because FPI is a mandatory source supplier, procurements from FPI are exempt from the rules that normally govern the way federal agencies procure products from the private sector, and FPI is exempt from the FAR's fair and reasonable price standards. Federal agencies must buy FPI products, even if less costly comparable products are available from the private sector, if FPI's prices do not exceed current market prices.

FPI officials say that despite their mandatory source status, they are striving to operate in a more customer-focused manner by negotiating prices with customers and granting waivers when they cannot price FPI's products within the competitive range offered by private vendors. We noted that in some cases FPI was willing to negotiate prices, and its data showed that it usually granted waivers requested by agencies when FPI believed its prices were too high. However, it is important to recognize that FPI's willingness to negotiate prices is dependent on its management philosophy and that FPI ultimately controls the waiver approval process. Furthermore, the FAR states that waivers to purchase products from a vendor other than FPI are not normally authorized because the vendor offers a lower price.

FPI's pricing policy and procedures that were in effect when we began our review did not adequately define current market price or prescribe methods by which it could ensure that its product divisions set prices that do not exceed current market prices. Therefore, FPI was not in a good position to ensure that its product prices did not exceed current market prices. However, its February 1998 policy change appears to put FPI in a better position and, if fully and effectively implemented, should satisfy our recommendations made to FPI in 1985.

Our analysis of 20 selected products shows that for the most part, FPI officials followed policy and procedures when they set prices for these products. Also, 17 of the 20 FPI products reviewed were priced within the current market range because prices for these products did not exceed the upper end of the range; 2 other products may have been within the current

market price range; and it was not clear whether the 20th product was within the range. However, FPI generally did not offer federal agencies the lowest prices for products that they purchased. Therefore, if it were not for FPI's mandatory source status, customer agencies might have decided to purchase comparable products at less cost.

Agency Comments and Our Evaluation

BOP's written comments dated July 22, 1998, stated that it appreciated our recognition that FPI's new pricing policy, dated February 1998, should better enable FPI to ensure that its product prices do not exceed current market price. BOP also said that it understood our methodological reluctance to project this report's findings to all FPI products, but it expressed the view that 19 out of 20 products were apparently priced within the current market range and this is significant evidence that FPI has complied with the statute. We do not share BOP's view that this is significant evidence to conclude whether other FPI product prices are in compliance with the statute. As stated in this report, the 20 products that we reviewed represent only a very small sample of the many products that FPI sells each year. Therefore, the results of our price comparisons are not necessarily indicative, which BOP recognized in its comments, of the overall extent to which FPI has complied with the statute requiring that its product prices not exceed current market prices. Further, this report concludes that 17, not 19, of the 20 products were clearly priced within current market ranges.

BOP expressed its opinion that the evidence in this report supports a finding that FPI's prices for the two cable assemblies and the fragmentation vest were clearly within current market price ranges, rather than "may have been" within the range as we concluded. BOP also objected to our characterization that FPI's prices for these three products were the highest of the prices we reviewed. We do not agree with BOP that the prices FPI charged DLA for all three of these products were clearly within current market ranges. As stated in this report and discussed with FPI officials, we compared the actual contract prices DLA paid FPI and private vendors for the two cable assemblies and the fragmentation vest. To make these price comparisons, we first had to identify contracts for similar quantities of the three products that DLA awarded to both FPI and private vendors during the same relative time frames. In all three contracts, FPI's prices were higher than those paid to private vendors for identical products. This finding is clearly stated in this report.

We then made additional inquiries with DLA to determine why FPI's prices were higher than those charged by private vendors and to determine whether FPI's prices may have been within current market price ranges. For one of the two cable assemblies, DLA officials provided us with several reasons why FPI's prices were higher and three price quotes they had received from private vendors before FPI was awarded the contract for the cable. Because all of these quotes were higher than FPI's quote and higher than the actual price paid for the product, we concluded that FPI's price was within the current market range. However, for the other two products—another cable assembly and the fragmentation vest—we were not provided price quotes from private vendors. Instead, DLA officials provided general explanations as to why FPI's prices for these two products were higher than those charged by private vendors. Without price quotes accompanying these general explanations, we could not conclude that FPI's prices for these two products were clearly within current market ranges, but the explanations that they provided were sufficient to conclude that the prices may have been within the current market ranges.

BOP also took exception to our price analysis of FPI's bunk bed and the conclusion that it is unclear whether FPI's price for the bed was within current market range. BOP contends that the proper conclusion is that FPI's price was within the current market range because it had identified another comparable bed that was sold through GSA's schedule at a price higher than FPI's price. According to BOP, the higher priced bunk bed is comparable to the other beds included in our analysis because it has the same basic functional features. Therefore, BOP believes that we should recognize the \$274 price for this bed as being higher than FPI's price of \$230 for a comparable bed.

It is important to note that as discussed in appendix I—the objective, scope, and methodology section—a part of our methodology for identifying comparable products was that GSA and FPI officials had to agree on the comparability of the products before we did our price analyses. During the course of doing our work, we provided FPI officials with the results of our preliminary price comparisons and specifically discussed the bunk bed with these officials. At that time, FPI officials told us they had not identified another comparable bed that was priced higher than their own. However, after reviewing our draft report FPI officials provided us with information on the additional bed and told us that they believed that this bed should be included in our analysis. We presented the additional information, including the price of the bed, to GSA. GSA officials told us that

they did not consider this bed to be comparable to FPI's bed because it was constructed with more expensive materials. Because of this difference of opinion on the comparability of the bunk bed, a key variable of our methodology, we believe it is not clear whether FPI's price for the bed was within current market range. We modified the text in appendix I to further clarify the criteria used in selecting comparable products.

Another BOP issue relates to our conclusion that FPI generally did not offer federal agencies the lowest prices for the products that they purchased. Specifically, BOP said that this conclusion implied that federal customers were overcharged because FPI's prices were not always the lowest. BOP went on to say that both common sense and sound procurement principles refute such a conclusion because customers distinguish between products on many features other than price, such as dependability, past performance, and ease of procurement. BOP further said that many of FPI's customers score it high on many of these features and consider FPI products a best value.

Our conclusion points out that FPI generally did not offer federal customers the lowest prices for the products that they purchased; and, if it were not for FPI's mandatory source status, customer agencies might have purchased comparable products at less cost. Although we agree with BOP that agencies would want to obtain the best value and might consider features other than price, we do not know whether the agencies that bought the products covered in our review believe that they did obtain the best values from FPI. We do not dispute that some agencies may believe that FPI products provide the best value. However, if lower cost comparable products that provide all the features and quality the customer wants are available from private vendors, federal agencies would likely save money if they were allowed to buy from these vendors. As this report points out, federal agencies are generally required to buy FPI products because FPI is a mandatory source supplier. Thus, federal agencies do not have a choice of buying comparable commercially available products at less cost, unless FPI approves a waiver.

Finally, BOP said that our conclusion that FPI's prices for virtually every product reviewed were within the current market range supports its contention that FPI's pricing practice remained consistent over the years despite a pricing policy that was not as detailed as the current policy. We believe it is important to reiterate that the 20 products we reviewed represent only a small sample of the products sold by FPI in the 2 years examined, and the results of our price comparisons are not necessarily

indicative of the overall extent to which FPI's product prices are within the current market range for any time frame. Because the results of our work are not generalizable, we cannot comment on BOP's assertion that FPI's pricing practices have been consistent over the years, or that all of FPI's products are priced within the current market ranges. In fact, we concluded that because of FPI's vague May 1995 pricing policy before it changed the policy in February 1998, FPI was not in a good position to ensure that its product prices did not exceed current market prices.

As agreed with your offices, unless you publicly announce the contents of this report earlier, we will not distribute it until 30 days from its issue date. At that time, we will send copies of this report to the Chairmen and Ranking Minority Members of committees with jurisdiction over BOP; the Attorney General; the Director of BOP; the Chief Operating Officer of FPI; the Director of the Office of Management and Budget; the Administrator for Federal Procurement Policy; and the heads of the customer agencies we contacted. We will also send copies to interested congressional committees and make copies available to others on request.

Major contributors to this report are listed in appendix IV. If you have any questions, please contact me on (202) 512-8387.



Bernard L. Ungar
Director, Government Business
Operations Issues

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Contents

Abbreviations

BOP	Bureau of Prisons
DLA	Defense Logistics Agency
FAR	Federal Acquisition Regulation
FPI	Federal Prison Industries
GSA	General Services Administration

Objectives, Scope, and Methodology

Our objectives were to (1) describe the laws and regulations governing how Federal Prison Industries (FPI) is to price its products, (2) describe the policies and procedures FPI uses to ensure that its products are priced in accordance with applicable laws and regulations, (3) determine whether FPI followed these policies and procedures when it set prices for selected products, and (4) compare FPI's prices with those charged by private vendors for selected products. In doing our work, we primarily performed audit work at FPI's headquarters in Washington, D.C. We also met with officials and performed audit work at FPI's Product Support Center located in the federal correctional institution in Englewood, CO, and six FPI factories located in federal correctional institutions in Butner, NC, and Fort Worth, TX.

In addition, we interviewed officials and obtained product cost information from the General Services Administration's (GSA) Federal Supply Service in Arlington, VA, and Fort Worth; the Defense Logistics Agency (DLA) headquarters at Fort Belvoir, VA, and three defense supply centers located in Richmond, VA, Columbus, OH, and Philadelphia, PA; several other federal agencies, including the Federal Aviation Administration, Social Security Administration, United States Postal Service, and Department of Veterans Affairs, that purchased products from FPI; and numerous private vendors that sell products to federal agencies, including Knoll, Inc.; Steelcase Inc.; Haworth, Inc.; Tennessee Apparel Corporation; M.J. Soffe Company; D.J. Manufacturing; Carter Industries; Tennier Industries; Nationwide Glove; Illinois Glove; Knoxville Glove; Hawkeye Glove; Golden Manufacturing; Proper International; American Apparel; E.A. Industries; Caribbean Needle Point; Terry Manufacturing; A.V. Technology; and Electronic Associates.

To meet the first and second objectives, we first obtained and reviewed 18 U.S.C. 4124, which requires federal agencies to purchase FPI products at not to exceed current market prices. We also obtained and reviewed applicable sections of the Federal Acquisition Regulation; our decisions and other legal opinions pertaining to FPI's pricing of its products and services; and our previous reports. We then compared FPI's May 1995 pricing policies and procedures that were in effect when we began our review with the pricing criteria found in the applicable laws and regulations. Additionally, we discussed FPI's pricing policy, procedures, and practices with various officials, including the senior program managers of FPI's five product divisions; managers and cost estimators from the Product Support Center; FPI's General Counsel; and officials from GSA, DLA, and several other federal agencies.

To meet the third objective, we reviewed FPI's pricing policy and procedures to determine the extent and adequacy of guidance that had been given to the product divisions to use when establishing prices for FPI's products and services. Specifically, we determined whether FPI management had defined the term current market price and prescribed pricing methods for the product divisions to use that would ensure that FPI's product prices did not exceed current market prices, as required by law. We also determined whether the product divisions are required to document the market survey or other methods they use in establishing prices for FPI's products and services. We then reviewed the sample of 20 products we had selected for the price comparisons in objective 4 to determine specifically how these products were priced and whether the product division followed FPI's policy and procedures when it established prices for these products. For those products for which FPI officials relied upon cost and pricing data in establishing product prices, we completed sufficient analysis to independently validate the age, accuracy, and appropriateness of using these data. We did not, however, verify that FPI considered all direct and indirect costs when it priced products using the cost plus profit method. We compared the pricing policy and procedures that were in effect when we began our review with the revised policy and procedures that FPI issued in February 1998 to determine what changes had been made.

To meet the fourth objective, we first judgmentally selected a sample of 20 products, including 3 systems furniture workstations, 3 pieces of dorm and quarters furniture, 4 ergonomic chairs, 7 clothing and textile products, and 3 electronic products. We determined the prices FPI charged or offered for these products by reviewing FPI's catalogues and sales reports/data for fiscal years 1996 and 1997. We then compared FPI's prices for these products with the prices charged or offered by private vendors for the same or comparable products. If FPI's price did not exceed the highest price charged or offered by private vendors, we determined that FPI's price was within the current market price range. We conducted our price comparisons by reviewing either (1) the federal agency's purchase/contract files to determine the volume and dollar amount of purchases for specific items or (2) the appropriate catalogues and supply schedules maintained by GSA. We compared the actual prices DLA paid for the electronic and textile products included in our sample. Such price comparisons were possible because we determined that two DLA supply centers had purchased identical products from both FPI and one or more private vendors in similar quantities and in the same relative time frames.

Most of the electronic and textile products were manufactured according to military specifications and are not generally available to the public.

For those products that are available on GSA's Federal Supply Schedule (ergonomic chairs, dorm and quarters furniture, and systems furniture), we provided GSA officials with a list of our sample products along with all pertinent details about each product and requested their assistance in identifying comparable products. The list of comparable products identified by GSA was shared and discussed with FPI officials, and a consensus on comparability of the products was achieved before we completed our price comparisons. In addition to having FPI and GSA agree on what were comparable products, the product had to provide the same basic functional features. We understand that there may be numerous features, some of which may add value to a product, that distinguish one product from another.

In making price comparisons for these products, we compared FPI's catalogue or offered prices with the prices offered by private vendors for comparable products that were available from GSA's Federal Supply Schedules during fiscal years 1996 and 1997. We were unable to compare actual prices paid by federal agencies for the furniture products included in our sample because of difficulties in identifying contracts under which federal agencies had purchased comparable products from both FPI and private vendors in similar quantities and during the same relative time frames. We recognize that the actual prices paid for some products may be less than FPI's or GSA's catalogue prices, depending upon the discounts given by the sellers and the negotiating skills of the procuring officials.

In selecting the 20 products to be reviewed, we strived to maximize the number of products that (1) generated high dollar sales for FPI in fiscal years 1996 and 1997 and (2) were purchased by federal agencies in similar quantities from both FPI and private vendors. Also, the selected products included items from four of the five major product divisions within FPI. Only FPI's Graphics and Services Division was excluded from our sample. This exclusion occurred primarily because we could not identify service contracts that federal agencies had awarded to both FPI and private vendors that were similar enough in the types and quantities of services procured to allow fair price comparisons. Further, FPI is not a mandatory source of supply for services; therefore, it must compete with private vendors for contracts to provide services to federal agencies.

Most of the products selected for our sample were in the top 50 sales items for FPI during fiscal years 1996 and 1997. We selected systems furniture for review because this product line generated FPI's highest revenues in both years. From the systems furniture line, we reviewed three typically configured workstations, which include panels, work surfaces, and storage drawers and cabinets. We included the ergonomic chairs and dorm and quarters furniture (a bunk bed, wardrobe, and desk) in our sample because these products were included on FPI's top 50 sales items in both fiscal years 1996 and 1997. The textile products reviewed were also selected from the list of high dollar sales; and, in addition, DLA had purchased each of these products from both FPI and private vendors. The textile items reviewed included a fragmentation vest, cold weather trousers, leather gloves, physical fitness trunks, battle dress uniform trousers for the military, and two types of coats for the military.

In selecting electronic parts for review, we first identified the federal stock classes for two of the highest dollar sales items—cable assemblies and wiring harnesses—from FPI's Electronics Division. We then requested DLA officials at the Defense Supply Center in Richmond to assist us in identifying electronic products within these two federal stock classes that the Center had purchased from both FPI and private vendors during the same time period and in similar quantities. We requested this assistance from DLA's Supply Center in Richmond because it is one of FPI's largest buyers of electronic products. With DLA's assistance, we identified three items—two cable assemblies and one wiring harness—that were suitable for inclusion in our review.

We did our work between July 1997 and June 1998, in accordance with generally accepted government auditing standards. The results of our price analysis and product price comparisons cannot be projected to the universe of FPI's products. Therefore, the price comparisons cannot be viewed as indicative of the overall extent to which FPI's prices are within current market prices. On July 22, 1998, we received written comments on a draft of this report from the Director, BOP. BOP's comments are summarized and discussed at the end of the letter and are reprinted in appendix II. FPI officials also provided oral technical comments, which were considered in preparing the final report.

Comments From the Bureau of Prisons



U. S. Department of Justice

Federal Bureau of Prisons

Office of the Director

Washington, DC 20534

July 22, 1998

Bernard L. Ungar
Director
Government Business Operations Issues
General Accounting Office
Washington, D.C. 20548

Dear Mr. Ungar:

We appreciate the opportunity to provide the Department of Justice comment on the General Accounting Office (GAO) draft report titled, FEDERAL PRISON INDUSTRIES (FPI), Information on Product Pricing. Although GAO did not make any formal recommendations in the report, there are a few areas addressed in the report which warrant further comment.

See p. 18.

We appreciate GAO's recognition that FPI's new pricing policy dated February 1998, if fully and effectively implemented, should better enable FPI to ensure its product prices do not exceed current market price. As noted in the report, FPI has had various pricing policies in effect over the years, some more elaborate than others. We believe that although the policy that was in effect when GAO initiated its review may not have been as detailed as the current policy, FPI's pricing practice, which is derived from the statute described in the report, has remained consistent over the years. This is supported by GAO's conclusion that FPI's prices for virtually every product reviewed for Fiscal Years 1996 and 1997 were within current market range.

See pp. 20 and 21.

We understand GAO's methodological reluctance to project their findings to all FPI products. It is noteworthy, however, that GAO selected the products for review and concluded that the prices for 19 out of 20 products are apparently within current market range. This is significant evidence of FPI's compliance with the statute.

See p. 18.

Regarding the analysis and discussion of pricing for the two cable assemblies and the fragmentation vest, we believe the

See pp. 18 and 19.

evidence, which includes direct attributions from our customers, supports the conclusion that our prices for these products were clearly within the market range. We are concerned that a third party might interpret the report's equivocal language to support a different conclusion. We feel compelled to object to GAO's characterization of prices for these three products as the "highest of all prices reviewed." As GAO explained in the report, in order for FPI's price to be within the legal definition of current market range, it must be lower than the highest price paid by a customer for a comparable product. Thus, it is impossible for FPI's price to be both within the legal definition of current market range and the highest in the range.

See pp. 19 and 20.

Regarding prices for the dorm and quarters bunk bed, there are two reasons why the proper conclusion must be that FPI's price is within the current market range. First, GAO's methodology description indicates products are "...comparable if they provided the same basic functional features. We understand that there may be numerous features, some of which may add value to a product, that distinguish one product from another." Thus, GSA's assertion that the higher priced commercial product is not comparable because it was constructed with more expensive materials is inconsistent with GAO's methodology for determining comparable products. There is no assertion the bed does not provide the same functional features.

Second, we disagree with GSA's assertion that the commercial product is manufactured with more expensive material. We contend the material for the commercial bed is comparable to the material for FPI's bed. Thus, we believe that the irrefutable conclusion is that the price for FPI's bunk bed is within current market range.

See p. 20.

We also disagree with the implication in the report's conclusion that because FPI's prices were not always the lowest within the market range, Federal customers were overcharged. If such a conclusion was supportable, it would apply to any situation where the government purchased any product other than the lowest priced one in the market range. Both common sense and sound procurement principles refute such a conclusion. Customers distinguish among products by features, dependability, past performance, price, and ease of procurement. According to many of our customers, some of whom provided direct feedback to a GAO official, FPI scores high on many of these considerations. In other words, FPI products are considered a "best value" by many of our customers. This is a determination which involves more than price alone and is consistent with Federal procurement reform priorities.

Appendix II
Comments From the Bureau of Prisons

See pp. 20 and 21.

In summary, we appreciate GAO's acknowledgment of FPI's newly revised pricing policy and procedures and the conclusion that FPI's prices are within current market range as required by law. We also appreciate GAO's recognition of FPI's goal to operate in a more customer focused manner and our liberal granting of waiver requests if we are unable to meet our customers' price requirements.

Thank you for the opportunity to comment on the report. If you should have any questions, or need additional information, please feel free to contact, Steve Schwalb, FPI's Chief Operating Officer.

Sincerely,



Kathleen Hawk Sawyer
Director

Comparison of Prices for Selected FPI Products With Prices of Private Vendors

Table III.1: FPI and Vendor Prices for Selected Products Sold to DLA

Price comparison (in dollars)						
Category	Product name	FPI	Vendor A	Vendor B	Vendor C	Vendor D
Electronic	Electrical cable assembly #1	\$77.45	\$69.90			
	Electrical cable assembly #2	592.96	436.00			
	Electrical wiring harness	1,378.54	2,980.41			
Textile	Fragmentation vest	\$349.40	\$332.88			
	Extremely cold weather trousers	77.03	87.72	\$88.79	\$85.24	\$85.56
	Physical fitness uniform trunks	5.78	6.90			
	Leather, light duty gloves	17.00	17.79	17.50	17.51	16.80
	BDU trousers, hot weather	23.20	23.31	22.90	26.35	
	BDU coats, hot weather	21.20	21.45	20.72	20.44	
	BDU coats, temperate	18.20	18.50			

Note 1: The vendor products represented here are identical to the FPI products, and most were manufactured according to military specifications.

Note 2: Vendors A through D do not represent the same vendors from one product to another.

Note 3: Blanks indicate there were no additional contracts with DLA for this product.

Source: GAO analysis of FPI's prices and private vendors' prices for selected products.

Appendix III
Comparison of Prices for Selected FPI
Products With Prices of Private Vendors

**Table III.2: FPI and Vendor Prices for
Selected Products Available Through
GSA Schedules**

Category	Product name	FPI	Vendor A	Vendor B	Vendor C
Dorm and quarters	Wardrobe	\$475	\$409	\$420	\$608
	Bunk bed	230	188	153	200
	Desk	520	476	475	483
Ergonomic chairs	Chair #1	\$373	\$280	\$268	\$274
	Chair #2	337	n/a	n/a	n/a
	Chair #3	314	407	242	240
	Chair #4	270	n/a	n/a	231
Systems furniture	Unit #1	\$3,686	\$3,486	n/a	\$3,438
	Unit #2	5,174	4,536	n/a	4,339
	Unit #3	6,410	n/a	\$7,265	5,286

Appendix III
Comparison of Prices for Selected FPI
Products With Prices of Private Vendors

Price comparison (in dollars)									
Vendor D	Vendor E	Vendor F	Vendor G	Vendor H	Vendor I	Vendor J	Vendor K	Vendor L	Vendor M
\$435	\$443	\$344	\$511	\$427	\$470				
207	127	130	155	184	161				
548	557	396	538	457	534				
\$322	\$342	\$433	\$477	n/a	\$617	\$889	n/a	n/a	n/a
322	n/a	477	n/a	n/a	n/a	889	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	694	\$320	\$760	n/a
n/a	283	n/a	n/a	\$398	n/a	n/a	386	n/a	\$248
\$3,611	\$3,386	\$3,803	\$3,291	\$4,479	\$3,141	\$2,987			
4,492	4,272	4,885	4,489	6,132	4,371	4,144			
5,541	5,039	5,812	5,480	8,281	5,188	4,917			

Note 1: The products represented here are not identical, but they are functionally comparable products.

Note 2: Vendors A through M do not represent the same vendors from one furniture category to another.

Note 3: "N/A" indicates the vendor does not offer a product on GSA's Federal Supply Schedule that was comparable to FPI's product.

Note 4: All figures have been rounded to the nearest dollar.

Source: GAO analysis of FPI's prices and private vendors' prices for selected products.

Major Contributors to This Report

General Government Division, Washington, D.C.	Gerald Stankosky, Assistant Director William Dowdal, Senior Evaluator
Office of the General Counsel, Washington, D.C.	Alan Belkin, Assistant General Counsel Susan Michal-Smith, Senior Attorney
Dallas Field Office, Dallas, Texas	James Cooksey, Evaluator-in-Charge Dorothy Tejada, Senior Evaluator Hugh Reynolds, Evaluator

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